

FOSTER CARE, ADOPTION ASSISTANCE, AND CHILD WELFARE SERVICES

Prepared by the Staff for the Use of the

COMMITTEE ON FINANCE
UNITED STATES SENATE

LLOYD BENTSEN, *Chairman*



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FOSTER CARE, ADOPTION ASSISTANCE, AND CHILD WELFARE SERVICES UNDER THE SOCIAL SECURITY ACT

INTRODUCTION

Three major Federal programs, all established under the Social Security Act, provide funds for foster care for children: child welfare services under title IV-B, which includes funding authority for a broad range of child welfare services, including foster care services; foster care maintenance payments under title IV-E, which authorizes funding for children from families eligible for Aid to Families with Dependent Children (AFDC) at the time of substitute care placement; and services related to foster care (but not maintenance costs) under title XX (the social services block grant program). Federal law places income and categorical restrictions on those who may be served under title IV-E. Titles IV-B and XX are free from any such restrictions, although States frequently establish income eligibility requirements for title XX.

Foster care services were provided to an estimated total of 434,800 children during FY 1986 (the last year for which detailed statistics are available), including both children receiving Federally assisted foster care maintenance payments and children receiving State-funded foster care. During 1986, approximately 166,300 children entered foster care and 161,300 left, with an estimated 273,500 remaining in care at the end of that year. The median time they spent in care was 17 months. Less detailed data are available for 1987 and 1988. By the end of 1987 an estimated 285,000 children remained in foster care, increasing to approximately 323,000 by the end of 1988. At the time of publication, the number of children in foster care was not known beyond the end of 1988. Unofficial estimates indicate the number of children in foster care at the end of 1989 may have reached 360,000.

More recent, but limited, data are available on children receiving Federally assisted foster care maintenance payments under title IV-E. In FY 1986, on average 110,749 children were served each month by programs funded under this title at a yearly Federal cost of \$637.2 million, and by FY 1988 these numbers had risen to 132,109 and \$891.4 million respectively. The most recent estimates from the Congressional Budget Office project the 1990 average monthly title IV-E caseload to be 179,000 at a Federal cost of \$1.5 billion, rising to an estimated 267,000 and \$3.4 billion respectively by 1995.

Historically, the foster care system has been plagued by a general lack of quality, reliable data. This problem has not been alleviated, despite the fact that significant legislative reforms were enacted in 1980.

Within the limitations of the available data, this document provides background information on the AFDC foster care program under title IV-A (from 1961-1980) and discusses changes made in the program since the passage of the Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272), which transferred AFDC foster care to a new title IV-E and created the adoption assistance program. Trends in foster care caseloads and costs are described, as well as recent developments in service delivery.

Part II of this document is a discussion of the characteristics of children currently in foster care; Part III describes the Adoption Assistance Program; and Part IV provides background information on child welfare services financing. State profiles are also provided in these three sections. The document concludes with the discussion of several pertinent issues including: the process by which the Department of Health and Human Services (HHS) verifies State compliance with child protections mandated by P.L. 96-272; the development and implementation of a new adoption and foster care data and information collection system; and increases in title IV-E placement, administrative, and training costs.

PART I. BACKGROUND & GENERAL DESCRIPTION OF FOSTER CARE PROGRAMS

AFDC Foster Care Under Title IV-A: 1961-1980

Federal assistance to enable States to make maintenance payments for children who were not living with a parent and had been placed elsewhere by a child welfare agency—that is, who were living in foster care—first became available under what was then called the Aid to Dependent Children (ADC) program (title IV-A of the Social Security Act) in 1961.

The legislation that authorized this assistance (P.L. 87-31) was developed to resolve a controversy surrounding the practice by some States of denying ADC benefits to otherwise eligible children if the homes in which they continued to live were found to be “unsuitable.” In 1961, the Department of Health, Education, and Welfare (HEW) issued a ruling (later called the Flemming Rule) prohibiting States from this practice. The Rule stipulated that States were either to continue assistance payments while making efforts to improve home conditions or provide other living arrangements for such children. Congress acted to assist States in complying with the Flemming Rule by authorizing a temporary program of Federal matching funds for ADC payments for children placed in foster care as a result of a judicial determination that continued residence in the home was detrimental (P.L. 87-31). As enacted, the program authorized Federal aid for payments on behalf of children in foster care who had been receiving ADC in the month when court proceedings were initiated.

Congress made the program permanent the following year. Subsequent amendments: made the program mandatory for the States; extended payments to children in private, non-profit institutions; and broadened eligibility to include children who would have been eligible for ADC benefits if application for the program was made during the month court proceedings to remove children were initiated, or who were not living with a relative when court proceedings were initiated but would otherwise have been eligible if they had been living with the relative six months prior to this time.

Data on the foster care program under title IV-A are incomplete. Even after 1969, when all State AFDC programs were required to provide foster care payments, separate reporting of this component of the program often was not made for several subsequent years. However, it is clear that both the number of children served and program expenditures grew rapidly after 1969. During that year, 30 States reported benefits for approximately 16,800 children. By the mid-1970s, all States were reporting, and the number of children receiving benefits had topped 100,000 (see table 11, p. 33). The title IV-A foster care population grew from approximately one-half of one percent of the total AFDC recipient child population in 1969 to

nearly one and one-half percent of that population in 1980. (In 1989, this portion of the foster care population was an estimated two percent of the AFDC recipient child population.)

During the 1970s, a number of concerns were raised about the prevalence of foster care utilization in this country. Table 10 (p. 32) shows that from 1962 to 1988, for every 1,000 children, on average approximately four to five were in foster care. Although the use of foster care was recognized as an important and necessary tool for child serving agencies to effectively protect and provide for the welfare of children, it was considered generally undesirable to keep children in foster care—particularly for long periods of time—rather than in other, more permanent arrangements. It was suggested that the level of foster care utilization could be reduced by placing a greater emphasis on services aimed at working with the family to prevent the need for placement, by instituting improved tracking systems for those placed in substitute care coupled with periodic reviews to evaluate the appropriateness of continuing such care, and by putting greater emphasis on returning foster children to their original families or placing them in adoptive homes.

The avoidance of long-term foster care was urged whenever possible because it was believed the absence of a permanent home put the social, emotional, and psychological development of a child at significant risk. Proponents of a change in policy also argued that the additional costs of services aimed at achieving permanency placement might be more than offset by a subsequent reduction in the costs associated with providing full maintenance for a child for many years in the AFDC foster care system. Therefore, it was suggested that Federal policy provide fiscal incentives for foster care placements by coupling funding for maintenance costs with funding of services, such as preplacement prevention and reunification, that were aimed at reducing these maintenance expenditures.

Under the AFDC program, any State expenditures for foster care were matched by the Federal Government at the same rate applied to all AFDC benefits (generally 50% to 83% depending on State per capita income). As shown in table 13 (p. 36), Federal funding for foster care under AFDC grew to over \$200 million by the late 1970s. However, the AFDC foster care program funded only the expenses associated with maintenance payments and related administrative costs. After 1972, Federal support for preventive and permanency services was available only through the child welfare services and title XX programs. Neither of these provided open-ended funding.

The child welfare services program under title IV-B was more clearly targeted at the types of services needed to reduce foster care dependency, but funding was limited. Although the authorization for the program had increased to \$266 million under the 1972 amendments, the actual program funding remained well below this level (only \$56.5 million in 1979). Moreover, since the AFDC program only covered about one-third of what appears to have been the overall foster care population, States used the child welfare program as a funding source for foster care maintenance for those foster children that did not meet the eligibility requirements of the AFDC program (see table 12, p. 34). The entire Federal payment for child welfare services represented a relatively small proportion of

the amount that State and local governments had to spend just on maintenance costs alone. For example, according to estimates by the Department of Health and Human Services (HHS), 73 percent of the total \$786 million spent by States for child welfare services (including both Federal and State funds) went for foster care maintenance payments in 1979.

Factors Leading to 1980 Legislative Reform

By the late 1970s the arguments for a review of Federal policy relating to child welfare and foster care services coalesced around several key concerns:

(1) It was widely argued that the Federal Government should encourage States to prevent inappropriate foster care placements and insure that children remained in substitute care only as long as necessary. Several studies published during the 1970s noted that foster care placement was often the alternative used when other services (such as those designed to make it possible for children to remain in their own homes, or be reunited with their families) were not available. It was argued that an incentive existed for States to use foster care placements for children eligible under title IV-A (for which the Federal match was unlimited) rather than providing preventive or rehabilitative services (primarily funded at the State or local level) for at-risk families.

Much concern was also expressed about the length of time children were left in foster care. In 1977, a study sponsored by HEW found that 58 percent of all children in foster care had been there for more than two years and that two and one-half years was the median length of stay in substitute care. Child welfare researchers noted that the likelihood of a child's exit from foster care decreased with the length of stay.

In addition, the concern was also expressed that States should pursue a policy of permanency planning, consisting of interviews at the time of initial placement, goal setting, and periodic re-evaluations—mechanisms aimed at ensuring that children are placed appropriately and not simply forgotten once they entered the foster care system.

(2) Particular attention was given to the situation of those foster children who were hard to place in permanent homes. It was argued that older children, children with physical or other disabilities, children who were ethnic minorities, and children belonging to a sibling group were less adoptable, in part because many families were financially unable to afford the costs associated with adoption. Such an adoption was often particularly costly because of either the financial status of a compatible prospective family, or because of the medical and other expenses associated with the special needs of these children. Federal coverage of these children's expenses (including Medicaid, for which children receiving AFDC foster care were eligible) would cease once they were adopted unless the adoptive parents were themselves eligible for AFDC for reasons other than those posed by the adoption. During the course of the decade most of the States enacted laws that provided some type of subsidies for maintenance payments and/or medical services to assist parents that adopted hard-to-place children. However,

such programs were limited and no Federal funds were provided for this purpose. Arguments were made that Federal assistance in this area would serve the best interests of the child by increasing its chances for an adoptive placement. Moreover, assuming the assistance enabled parents to adopt children that they otherwise would not, such a program would be cost-effective because the average cost per child would be less than the cost of maintaining a child in AFDC foster care.

(3) Other concerns expressed about the foster care program under title IV-A related to the lack of data on the number of children receiving services, including the length of time these children remained in care, the specific services provided, the cost of these services, and the demographic characteristics of the recipient population. Questions were also raised about the necessity and desirability of continuing to limit Federal funding of AFDC foster care to cases in which the child had been removed from the home by the action of a court. Similar questions were raised about the non-availability of Federal matching for institutional foster care in public facilities, particularly small facilities that might offer a more desirable alternative to the care provided by large non-profit institutions.

These concerns with foster care were discussed during Congressional hearings held in the mid-to-late 1970s. Proposals to revise some parts of the title IV-A program—addressing some of the concerns—were considered during this period. In 1977, the Committee on Finance reported legislation (H.R. 7200) to restructure the Social Security Act programs of foster care and child welfare services, and to establish an adoption assistance program. Congress never completed action on this bill, but in 1980 similar legislation was enacted as the Adoption Assistance and Child Welfare Act of 1980, P.L. 96-272. This legislation was designed to encourage States to reunite children in foster care with their families or place them in permanent homes. It contained new requirements intended to serve as incentives to States to accomplish these goals. The legislation also provided for a number of modifications in the foster care system, such as requiring improvements in information and record-keeping.

Current Law: The Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272) and Subsequent Amendments

OVERVIEW OF PROGRAMS AND FUNDING SOURCES

AFDC foster care, which had been part of the general program of Aid to Families with Dependent Children (AFDC) under title IV-A of the Social Security Act, was amended by the Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272). This legislation continued AFDC foster care as a required Federal matching grant program, but transferred it to a newly created title IV-E. It also changed the funding mechanism for this program and the child welfare services programs under title IV-B, providing linkages between the two to encourage less reliance on foster care placement and greater use of services aimed at preventing placement and encouraging family rehabilitation. The entitlement nature of AFDC foster care was retained, but under title IV-E its open-endedness is

potentially limited by a provision that is contingent on the funding level of title IV-B.

The legislation specified a number of protections to help prevent inappropriate placements or long-term stays in foster care, and a number of programs were established to provide services to specialized foster care populations. Under title IV-E a new Federal matching grant program for payments to parents who adopt a child with special needs was also established and permanently authorized. Funding for adoption assistance is on an open-ended entitlement basis. In addition, subsequent amendments to title IV-E authorized an Independent Living Program to teach necessary skills to adolescents who would be emancipated from foster care at the age of 18 without receiving an adoptive placement. Table 1 shows the current funding mechanisms for child welfare services, foster care, and adoption assistance programs.

Table 1.—FEDERAL FUNDING OF THE CHILD WELFARE, FOSTER CARE, & ADOPTION ASSISTANCE SERVICES

Program	Budgetary classification	Federal/State funding
Title IV-B Child Welfare Services Program.	Nonentitlement authorization...	Federal match of 75 percent, total capped at State allotment.
Title IV-E Foster Care Program:		
Foster care assistance payments.	Authorized entitlement.....	Open-ended Federal match at State's Medicaid rate.
Placement/ Administrative costs.	same	Open-ended Federal match of 50 percent.
Training expenses (State personnel and foster parents).	same	Open-ended Federal match of 75 percent.
Title IV-E Adoption Assistance Program:		
Adoption assistance payments.	same	Open-ended Federal match at State's Medicaid rate.
Nonrecurring adoption expenses.	same	Open-ended Federal match of 50 percent. ¹
Administrative costs	same	Open-ended Federal match of 50 percent.
Training expenses (State personnel and adoptive parents).	same	Open-ended Federal match of 75 percent.

Table 1.—FEDERAL FUNDING OF THE CHILD WELFARE, FOSTER CARE, & ADOPTION ASSISTANCE SERVICES—Continued

Program	Budgetary classification	Federal/State funding
Title IV-E Independent Living Program.	same	100 percent Federal funding for first \$50 million in FY 1990. ² Beginning FY 1991, States will be required to match Federal funding above \$45 million at 50 percent. ³
Title XX Social Services Block Grant Program.	same	100 percent Federal match, with a funding ceiling of \$2.8 billion.

¹ The Federal government reimburses 50 percent of total expenditures for any one placement, up to a maximum of \$2,000 per placement.

² \$45 million in preceding years.

³ The entitlement ceiling for the program is \$60 million for FY 1991, \$70 million for FY 1992.

Both titles IV-B and IV-E are administered by the Administration for Children, Youth, and Families (ACYF), in the Office of Human Development Services (HDS), Department of Health and Human Services (HHS). During the 1980s, periodically legislation was enacted to renew certain foster care provisions. Most recently the provisions due to expire on October 1, 1989 were extended through October 1, 1992 by the enactment of P.L. 101-239.

FUNDING LINKAGES BETWEEN THE FOSTER CARE AND CHILD WELFARE SERVICES PROGRAMS

The 1980 legislation changed the funding mechanisms for both the title IV-B child welfare services and the title IV-A foster care program (the latter program was transferred to the newly created title IV-E). These changes were intended to serve as incentives to States to use child welfare services in lieu of initial or continued foster care placement whenever possible and appropriate. Primary emphasis was placed on preventing the need for substitute care, and reunifying as many foster children as possible with their families.

P.L. 96-272 assumed increased appropriations for child welfare services but limited the amount of new title IV-B Federal funds States could spend until certain protections for children in foster care were implemented. The Act also included a provision allowing States to transfer money from their title IV-E foster care allotments to their title IV-B child welfare programs for specified services if certain requirements to protect children in foster care are met and maintained (see table 2).

Table 2.—FEDERAL FUNDING FOR CHILD WELFARE, FOSTER CARE, AND ADOPTION ACTIVITIES UNDER TITLES IV-B, IV-E, AND XX OF THE SOCIAL SECURITY ACT, 1981-91, UNDER CURRENT LAW

[In millions of dollars]

Fiscal year	Title IV-E Foster care State claims			State use of FC of IV-B, CWS (transfers)	Title IV-E independent living program	Title IV-E adoption assistance State claims			Title XX SSBG program (CWS portion)
	Title IV-B child welfare services	Total ¹	Maintenance payment	Placement/ Admin./ training		Total ²	Assistance payments	Nonrecurring payments	
1981.....	163.6	308.8	278.4	30.4	74.1	0.5	04	.....	NA
1982.....	156.3	373.8	301.3	72.5	20.6	4.7	4.5	.....	NA
1983.....	156.3	394.8	275.5	117.9	32.6	12.6	11.3	.....	NA
1984.....	165.0	445.2	297.8	147.4	32.2	24.2	18.7	.....	NA
1985.....	200.0	546.2	355.3	190.9	19.6	37.2	29.0	.....	NA
1986.....	³ 198.1	³ 637.2	404.6	228.3	14.9	54.7	40.6	.....	NA
1987.....	222.5	752.8	422.0	288.1	11.3	69.8	52.0	.....	NA
1988.....	239.4	891.4	520.7	352.5	5.1	96.7	74.1	.....	NA
1989 (estimate).....	246.7	1,147.1	572.2	504.2	1.6	113.0	86.6	0.1	NA
1990 (estimate).....	252.6	³ 1,476.2	617.7	704.7	1.2	132.0	100.0	1.5	NA
1991 (estimate).....	300.0	⁴ 1,876.6	927.4	949.2	1.1	150.4	113.5	2.0	NA

¹ Total includes administration and training expenditures, as well as maintenance payments, but does not include transfers to the title IV-B child welfare services program.

² Total includes administration and training expenditures, maintenance payments, and nonrecurring payments.

³ Funding level for fiscal year 1986 reflects a 4.3 percent reduction in the \$297 million IV-B child welfare funds appropriated, due to the sequestration under the Gramm-Rudman-Hollings legislation. Funding level for title IV-E foster care includes a \$6 million reduction from funds because of the denial of Federal matching required under the fiscal year 1986 sequestration order. Funding level for title IV-B for 1990 reflects a 1.4 percent reduction in the \$256.1 million in IV-B funds appropriated, due to sequestration.

⁴ Amount requested by the administration in its proposed budget for fiscal year 1991. Congress has not yet enacted legislation appropriating 1991 funding for this program.

NA—Not available.

Source: Department of Health and Human Services.

Transfer of title IV-E Foster Care funds to title IV-B Child Welfare Services.—The 1980 legislation, as amended, establishes a mandatory ceiling on title IV-E foster care payments for each fiscal year if in any fiscal year appropriations for the title IV-B child welfare services program reach \$325 million (increased from \$266 million by P.L. 101-239, beginning with fiscal year 1990). With this ceiling in place, under certain conditions States may transfer any unused title IV-E foster care funds to use for any child welfare services under title IV-B. As is shown in table 3, the authorized and appropriated amount have not converged since the first year of the new legislation. In those years when appropriations do not reach the trigger amount, States may choose to operate under a voluntary ceiling and transfer a certain proportion of unused title IV-E foster care funds to their title IV-B child welfare services program.

Table 3.—TITLE IV-B APPROPRIATIONS & AUTHORIZATIONS, FISCAL YEARS 1981-91

[In millions of dollars]

Fiscal Year	Authorization	Appropriation	Difference
1981.....	\$163.6	\$163.6	\$0.0
1982.....	220.0	156.3	63.7
1983.....	266.0	156.3	109.7
1984.....	266.0	165.0	101.0
1985.....	266.0	200.0	66.0
1986.....	266.0	¹ 198.1	67.9
1987.....	266.0	222.5	43.5
1988.....	266.0	239.4	26.7
1989.....	266.0	246.7	19.3
1990.....	325.0	² 252.6	72.4
1991.....	325.0	³ 300.0	³ 25.0

¹ Reflects a 4.3 percent reduction in the \$207 million IV-B child welfare funds appropriated, due to sequestration under the Gramm-Rudman-Hollings legislation.

² Reflects a 1.4 percent reduction in the \$256.1 million in IV-B funds appropriated, due to sequestration under the Gramm-Rudman-Hollings legislation.

³ The administration included \$300 million for title IV-B in its FY 1991 proposed budget. Congress has not yet enacted legislation appropriating 1991 funding for this program.

Source: Department of Health and Human Services.

Each year a State's ceiling is based on the greater of:

- (1) the FY 1978 title IV-E foster care funding for the State with annual increases equivalent to either a 10 percent increase, or double the increase in the Consumer Price Index (CPI) (whichever is less); or
- (2) a share of \$100 million based on the number of the State's population under the age of 18.

In a year in which the title IV-B trigger amount is appropriated (only 1981), and the mandatory title IV-E payment ceiling goes into effect, a State could choose to have its ceiling based on one-of-two options:

- (a) the higher of the above (1) or (2); or
- (b) the 1978 funding level increased by the amount of the AFDC foster care caseload increase since 1978 if the State's caseload (relative to its total child population) was lower than the 1978 national average foster care caseload. However, this increase would stop at the point at which the State's caseload were to equal or exceed the 1978 national average.

When operating under such a mandatory ceiling, States—except those choosing to operate under the alternative formula (b above)—may use matching foster care funds for the title IV-B child welfare services at the Federal matching rate of 75 percent. Although this is the technical matching rate (see table 1, p. 7) States are allowed to use their foster care maintenance funds to meet the non-Federal matching requirement (in effect this means that the receipt of new Federal funds does not require any increase in State matching funds). These transferred funds may exceed the State's allotment of \$141 million unless certain preplacement preventive services are implemented.

If the title IV-B appropriation equals or exceeds \$325 million (increased from \$266 million by P.L. 101-239, beginning in fiscal year 1990) for two consecutive years, a State cannot transfer funds from title IV-E to title IV-B unless all the foster care procedures and protections required for receipt of the title IV-B incentive funds (including preplacement prevention services) are implemented. However, since the law's inception in 1981, authorization and appropriation levels have only converged in that first year.

If a State chooses to adopt a voluntary ceiling, it may transfer funds up to the point which, if the amount is added to its title IV-B allocation, does not exceed what it would have received if the title IV-B appropriation had been adequate to trigger the mandatory ceiling on title IV-E expenditures. In addition, the amount transferred when added to the State's title IV-B allocation, may not exceed its allotment of the \$141 million title IV-B funds unless certain foster care procedures and protections specified in the 1980 legislation are implemented. If for any two fiscal years the amount of money transferred added to direct title IV-B funds equals the State's allotment of the title IV-B authorization, the State cannot transfer funds unless it has implemented all the foster care procedures and protections, as specified in the 1980 legislation as those necessary for the receipt of additional child welfare services funds, including preplacement prevention services.

States have had the option of operating under a voluntary ceiling since FY 1982. However, under this agreement the total amount of money being transferred by the States from title IV-E to title IV-B has been steadily decreasing since 1983 (see table 4, p. 12). During that year, 24 States participated, transferring a total of \$32.6 million. In 1989, six States transferred a total of \$1.6 million.

Table 4.—NUMBER OF STATES TRANSFERRING FUNDS FROM TITLE IV-E TO IV-B & THE TOTAL AMOUNT TRANSFERRED, FY 1982-1991

Fiscal Year	Number of States participating	Total amount of transfers (in millions)
1982	24	\$20.6
1983	31	32.6
1984	23	32.2
1985	22	19.6
1986	16	14.9
1987	15	11.3
1988	10	5.1
1989 (estimate)	¹ 6	1.6
1990 (estimate)	NA	1.2
1991 (estimate)	NA	1.1

¹ Alabama, Hawaii, Idaho, Indiana, Kansas, and Mississippi.

Source: Department of Health and Human Services.

Foster Care Protections Linked to title IV-B Child Welfare Services Funding.—To encourage States to use their allocations to fund services to help keep families together and prevent the placement of children in substitute care with their child welfare services money, the legislation requires that if the title IV-B appropriation exceeds the Federal appropriation in 1979 (\$56.5 million) States may not use any of these funds in excess of their allocation of \$56.5 million for foster care maintenance payments, adoption assistance, or work-related child care. Appropriations for title IV-B have consistently exceeded this amount (see table 3, p. 10).

In addition, if the appropriation for the title IV-B program exceeds \$141 million in any year, States are not eligible for any of their allotment above this amount unless certain protections have been implemented:

(1) a one-time inventory of children in foster care more than six months, to determine the appropriateness of (and necessity for) the current foster care placement, whether the child should be returned to his parents or freed for adoption, and the services necessary to achieve this placement goal;

(2) a statewide information system from which the status, demographic characteristics, location, and placement goals of every child in care for the preceding 12 months can be determined;

(3) a case review system to assure procedural safeguards for each child in foster care (described in greater detail in Part V of this document). This includes a six-month court or administrative review and an 18-month dispositional hearing to assure placement in a setting that is the least restrictive (most family-like) setting available, in close proximity to the original home, and in the best interests of the child;

(4) a reunification program to return children to their original homes.

In addition to the procedures specified above, States must implement a preplacement prevention service program if the title IV-B appropriation amount is \$325 million (increased from \$266 million by P.L. 101-239) for two consecutive years. If all these procedures and programs are not implemented by a State, its allotted amount of title IV-B funds is reduced to its share of the \$56 million it received in FY 1979. Through FY 1990, the amount appropriated to title IV-B has never reached \$266 million.

Since 1981, the annual appropriation levels for title IV-B have consistently exceeded \$141 million (see table 3, p. 10). In FY 1981, 34 States (including Puerto Rico) self-certified their eligibility for "incentive funds" (their allotment of funds in excess of \$141 million). An additional 10 States self-certified their eligibility for FY 1982.

Since that time State compliance with Federal standards has been reviewed by ACYF using case reviews of States' child welfare systems. These "427 reviews" are conducted each year in a number of eligible States. In preparation for a review, a number of cases are selected from a State's caseload to determine its compliance with the required procedures and child protections stipulated in section 427 of title IV-B.

As of FY 1989, 42 States are in compliance, two States have self-certified and are awaiting ACYF review, three are not in compliance, and five are not self-certified, meaning that they have elected to forgo their allotment of title IV-B funding in excess of \$141 million. In addition, 40 States currently exhibit the highest level of compliance eventually required of all States that wish to remain eligible for these funds (for a detailed discussion of this review process see Part V of this document).

As a result of legislation passed in the 101st Congress, a foster child's case record must now include his or her health and education records. Beginning in FY 1990, the names and addresses of the child's health and educational providers must be recorded as well as the child's grade level performance, school record, and assurances that the child's placement takes into account the proximity of the school in which the child was enrolled at the time of placement. In addition, a record of the child's immunizations, known medical problems, required medications, and other relevant information must be included.

A few States have developed sophisticated data collection systems and the results of their efforts are described in the sections entitled "Trends in Foster Care Caseloads," "Trends in Foster Care Costs," and in Part II of this document. The convening of a committee to advise the HHS Secretary on the development of a much improved nationwide data reporting system to be implemented by October 1, 1991, was mandated under section 479 of the Social Security Act, which was enacted as an amendment to title IV-E by the Omnibus Budget Reconciliation Act of 1986 (P.L. 99-509). The advisory committee's recommendations are also detailed in a separate section of this document. Regulations implementing the 1986 amendment (required to be issued by December 31, 1988) have been

delayed and proposed regulations have not yet been published for public comment. According to HHS, implementation of the data collection system has become a priority of the Department. Publication of the proposed regulations for public comment is expected in the very near future.

MANDATORY PROTECTIONS FOR FOSTER CHILDREN FUNDED UNDER TITLE IV-E

The 1980 legislation also strengthened the State plan eligibility requirements for title IV-E foster care or adoption assistance payments to emphasize protections for foster children originating from families eligible for AFDC at the time of placement. By law, for children receiving payments under the title IV-E State plan, States must establish:

(1) by FY 1984, specific goals as to the maximum number of children in care more than 24 months, and a description of the steps they will take to meet these goals;

(2) a case plan review system to be conducted every six months on each child in foster care including:

- a written document describing the child's placement and its appropriateness;
- a plan, if necessary, for compliance with requirements made by judicial determination;
- a plan of services to be provided to improve family conditions and facilitate the reunification of the child with his or her family, or—if this is not possible—to provide for a permanent placement and/or otherwise serve the needs of the child during the time it is placed in foster care;

(3) beginning in FY 1984, that case plans must show that reasonable efforts have been made prior to placement to prevent the need for placement or to return the child home if removed. As of the same date, eligibility for Federal matching funds for cases involving a judicial placement requires a determination by the court that these efforts have been met.

The 1980 law also provided sanctions for non-compliance with these State plan requirements and mandated an independent audit of States' title IV-E programs (including adoption assistance) in an administrative review. Similar to title IV-B section 427 reviews, title IV-E administrative reviews must take place in each State at least once every three years. In addition, fiscal reviews of the standards and appropriateness of the costs associated with foster care and related services are conducted by the Department periodically in each State.

"REASONABLE EFFORTS" REQUIREMENT

P.L. 96-272 includes the requirement that reasonable efforts must be made to prevent the placement of a child in foster care, and to reunify a foster child with his or her parents. The Social Security Act specifies the requirement in two separate provisions. First, in order for a State to be eligible for title IV-E funding, its State plan must specify that reasonable efforts will be made prior to the placement of a child in foster care to prevent the need for foster care and make it possible for the child to eventually return

home (sec. 471(a)(15)). Second, for each child entering foster care after October 1, 1983, a judicial determination must be made that there were reasonable efforts to prevent placement in substitute care (sec. 472(a)(1)).

A 1984 Policy Announcement issued by ACYF (ACYF-PA-84-1) and a subsequent Federal regulation issued by the Department in 1986 (45 CFR 1356-7), do not define the term "reasonable efforts;" instead this definition has been left to States. State compliance with Federal reasonable efforts provisions are audited in title IV-E reviews by HHS.

According to a 1987 American Bar Association (ABA) publication by Debra Ratterman, G. Diane Dodson, and Mark A. Hardin, a total of twenty-one States had statutes addressing the judicial determination of reasonable efforts as of 1986. The ABA reports that States have continued to develop statutory guidelines since 1986. The ABA report found that State agencies also play a role in defining reasonable efforts through their interpretation of State court requirements to provide preplacement preventive services.

In addition to placement, adherence to reasonable efforts is a requirement for the termination of parental rights in many States. For example, New York's statute specifies "diligent efforts," which require that prior to the termination of parental rights an authorized agency must: consult and cooperate with the parents of a child in developing a plan for the provision of appropriate services, make suitable arrangements for the parents to visit the child, provide services and other assistance to the parents, inform the parents at appropriate intervals of the child's health, and make suitable arrangements with a correctional facility if one of the parents is incarcerated and visiting with the child would be in the best interest of the child.

The interpretation of reasonable efforts varies substantially from State to State. According to the 1987 ABA report, the State of Florida defines reasonable efforts as "the exercise of ordinary diligence and care by the division." Definitions which go further also differ in fundamental ways. For example, Arkansas statutes state that "reasonable efforts means the exercise of reasonable diligence and care by the responsible State agency to utilize *available* services related to meeting the needs of the juvenile and the family," but the definition of reasonable efforts in the State of Missouri "*assumes* the availability of a reasonable program of services to children and their families" (emphasis added).

However, there is anecdotal evidence that at least some jurisdictions are not interpreting the requirement in the best interests of the families and children it is designed to protect. Representatives of the ABA report that in some cities the placement of children in foster care and the termination of parental rights is routinely ordered by court judges without reviewing (or in some cases requiring) documentation that reasonable efforts were adhered to by the placement agency. Because in these cases there is no review of agency practices, families that could benefit from preplacement prevention services may not receive them and children may be unnecessarily placed in foster care.

An assessment of the New York City Child Welfare Administration conducted by the New York State Department of Social Serv-

ices and published in May, 1989, found that in a review of 46 cases in which placement occurred, seven did not document that reasonable efforts were followed. Of the remaining cases, 24 contained adequate documentation, and in 15 cases, reasonable efforts were deemed unnecessary because the child was determined to be in immediate danger, and emergency placement was granted.

However, it is also evident that in some circumstances the reasonable efforts requirement is being interpreted in ways that hinder timely placement of children in safe and stable foster care arrangements. For example, Committee staff have been informed of instances in which infants abandoned by their mothers in a hospital at birth have been held for weeks or months while the child welfare agency staff attempted to locate the parents (who had no contact with the child) provided them with transportation to the hospital, and gave them parenting courses in an attempt to bond the parents with the child. Only after these efforts were made and documented did the process of placing these infants in a foster family begin.

THE ADOPTION ASSISTANCE PROGRAM

The Adoption Assistance and Child Welfare Act of 1980 also created and permanently authorized a new adoption assistance entitlement program under title IV-E. The legislation specified that by FY 1983 States were required to establish programs to provide adoption assistance payments for parents adopting "special needs" children originating from families eligible for AFDC (and/or SSI) for which Federal funds could be claimed based on the Medicaid matching rate for each State. In addition to being AFDC-eligible, such children are defined as having a specific condition (such as a mental, emotional, or physical handicap; membership in a minority or sibling group; or age) that prevents placement without assistance payments. Before designating a child as having special needs, the State must determine that he or she could not be returned to the family, and that reasonable placement efforts have been made without providing this specialized assistance.

The adoption assistance payments are made pursuant to a binding agreement between concerned parties covering the amount of the payments to be made and related services or assistance. Therefore, the amount of the payments is determined by the parents and the agency, based on the economic circumstances of the adoptive family and the needs of the child. The full amount, however, cannot exceed the amount the child would have received had he or she remained in title IV-E—funded foster care. The amount may be adjusted at a later date due to changed circumstances. Payments may continue until the adopted child turns 18, or (at State option), until the age of 21 if the child is physically or mentally disabled. In addition, the legislation, as amended, stipulates that children eligible for adoption assistance payments are eligible for medical assistance through the Medicaid program. They are also eligible for services funded by title XX.

Under the legislation, HHS was charged with assisting States in developing interstate compacts regarding adoption assistance agreements to facilitate moves between States for these children. As of FY 1984, through these compacts or by other means, States

were required to continue adoption assistance when a family receiving these payments moved to another State. The Department was also authorized to provide technical assistance to the States and to evaluate the effectiveness of the new foster care provisions and adoption assistance program in a report to Congress by October 1, 1983. This report was submitted in June, 1984.

According to the report, during FY 1981, six States participated in the adoption assistance program, claiming reimbursements of approximately \$486,483 for the placement of 289 special needs children. The program grew rapidly. By FY 1984, 49 States claimed reimbursement totaling approximately \$25.6 million for the placement of 11,770 children. Since that time the number of special needs children has continued to increase. During FY 1989, 50 States participated, serving an average of 40,920 children each month at a Federal cost of \$86.6 million.

The 1980 act required the Secretary to assist the States in entering into interstate compacts to facilitate interstate moves by children adopted under the adoption assistance program. The American Public Welfare Association (APWA) developed a model interstate compact under a contract funded by HHS. To date, virtually all States and U.S. jurisdictions have enacted the "Interstate Compact on the Placement of Children." It is a uniform law that ensures the extension of protections and services that would be provided on behalf of children in their State of origin when their parents move to another State.

Under the 1980 legislation, adoptive children remained eligible for Medicaid only if they received title IV-E adoption assistance payments. Because it appeared that States were using token payments of adoption assistance to allow children to remain in the program, a 1986 amendment changed this requirement. Now an adoptive child need only be eligible for adoption assistance payments in order to retain eligibility for Medicaid. The child does not have to actually receive payments to retain this eligibility.

There are no recent comprehensive data on the number of special needs children awaiting adoption. Table 5 shows that from 1983 to 1985 the majority of adopted children had one or more special needs. This proportion, as well as the percent of special needs children in foster care and the percent awaiting adoption, remained fairly stable over those three years. (The adoption assistance program is discussed in greater detail in Part III of this document.)

Table 5.—PROPORTION OF SPECIAL NEEDS CHILDREN IN FOSTER CARE, WAITING ADOPTION, & ADOPTED, 1983 TO 1985

Status	1983	1984	1985
Number of children in foster care.....	269,000	276,000	276,000
(percent with special needs)	22%	22%	18%
Number of foster children waiting adoption.....	NA	17,000	16,000
(percent with special needs)	NA	43%	51%
Number of foster children adopted	19,000	20,000	16,000

Table 5.—PROPORTION OF SPECIAL NEEDS CHILDREN IN FOSTER CARE, WAITING ADOPTION, & ADOPTED, 1983 TO 1985—Continued

Status	1983	1984	1985
(percent with special needs)	61%	57%	62%

Source: "State Child Welfare Abstracts 1980-1985," Maximus Inc. prepared for Office of Social Services Policy, Assistant Secretary for Planning and Evaluation, HHS, December 1987.

THE INDEPENDENT LIVING PROGRAM FOR ADOLESCENTS IN FOSTER CARE

In 1986, title IV-E was amended by P.L. 99-272 (Consolidated Omnibus Budget Reconciliation Act of 1985) to include section 477, which established the Independent Living Program to assist youth who would eventually be emancipated from the foster care system. Several surveys conducted during the mid-1980s showed that a significant number of homeless shelter users had been recently discharged from foster care. The program's services were designed to assist adolescent youth who are not provided the benefits believed to come from reunification with their original family, or placement in an adoptive home.

In a 1981 article in "Children and Youth Sciences Review," researchers Hornby and Collins estimated that fewer than 20% of foster care adolescents will be reunified with their parents, and that fewer than 1-in-20 is likely to be adopted. According to the Department of HHS, nearly 65,000 youths were eligible for the Independent Living Program in 1989. About 44,200 actually participated. (See table 6 for State-by-State data, p. 20.)

An annual entitlement amount of \$45 million was established for 1987 and 1988 to provide States with the resources to establish and implement services to assist AFDC-eligible children age 16 and over make a successful transition from foster care to independent adult living when they become ineligible for foster care maintenance payments at age 18. The same amount was made available the following year and the program was expanded under P.L. 100-647. States may now provide independent living services to all youth in foster care aged 16 to 18 (not just title IV-E-eligible youth) and States may claim follow-up services provided to youth up to six months after their emancipation from substitute care (see table 6 for State-by-State data on Independent Living Program services, p. 20). Funds are allocated on the basis of each State's relative share of children receiving IV-E foster care in 1984.

P.L. 101-239 increased the amount of Federal entitlement funds available to the States for the Independent Living Program to \$50 million for fiscal year 1990, \$60 million for fiscal year 1991, and \$70 million for fiscal year 1992. Beginning in fiscal year 1991, States are required to provide 50 percent matching for any Federal funding claimed that exceeds the original \$45 million funding level.

Section 477 of title IV-E also instructed HHS to carry out a study of the program's effectiveness. Under contract by the Department, Westat Inc. completed the first phase of the study in 1989. This phase is a purely descriptive assessment of the needs of youth

emancipated from foster care between January 1, 1987 and July 31, 1988; States' development of independent living programs to serve these youth; and the proportion of youth served.

The report found that independent living services offered by the States generally fall into the following categories: basic skills training (including health promotion, housekeeping, money management, decision-making, and food and nutrition management); education initiatives (including private tutoring, and GED and college preparation); and employment initiatives (including job training and placement, and personal presentation and social skills). In addition, 14 States currently hold teen conferences designed to bring these foster care youth together for workshops to provide them with supportive contacts, teach them independent living skills, focus on self-esteem building, and help prepare them for their impending emancipation from foster care.

The report concluded that emancipated youth were a troubled population. In the study population, two-thirds of 18-year-olds did not complete high school or a GED and 61 percent had no job experience. In addition, 38 percent had been diagnosed as emotionally disturbed, 17 percent had a drug abuse problem, 9 percent had a health problem, and 17 percent of the females were pregnant. The group also lacked placement stability. During the time they were in foster care 58 percent experienced at least three living arrangements and approximately 30 percent of the youth had been in substitute care for an average of nine years. The report found evidence that P.L. 99-272 has influenced States to develop policies for services that adolescents should receive before their emancipation from foster care. Of the 49 States that responded, 22 had such a written policy before the law was enacted. By 1988, when the study was concluded, an additional 18 States had initiated the process of developing similar policies. (By 1989, all States, except Washington, had an Independent Living Program plan. See table 6, p. 20).

Of the total 34,600 youth emancipated from foster care during the study period, 31 percent received services through their State's formalized independent living program, 29 percent received non-formalized (but related services), and 40 percent received no independent living services at all.

The second phase of the report is scheduled for completion by December, 1990. In order to determine program effectiveness it will compare the previously identified group of adolescents that received services with a control group that did not on a number of outcome measurements.

Maryland	X	X	X	X	X	1,500	1,500	805,412
Massachusetts	X	X	X	X	X	1,840	368	413,638
Michigan	X	X	X	X	X	2,138	1,150	2,713,859
Minnesota	X	X	X	X	X	1,389	1,000	742,942
Mississippi	X	X	X	X	X	473	310	334,659
Missouri	X	X	X	X	X	950	480	842,448
Montana	X	X	X	X	X	342	100	158,851
Nebraska	X	X	X	X	X	1,000	400	283,344
Nevada	X	X	X	X	X	331	165	99,951
New Hampshire	X	X	X	X	X	650	450	208,381
New Jersey	X	X	X	X	X	1,583	1,583	1,494,809
New Mexico	X	X	X	X	X	300	150	134,756
New York	X	X	X	X	X	4,282	2,141	7,536,961
North Carolina	X	X	X	X	X	690	625	680,027
North Dakota	X	X	X	X	X	254	254	124,939
Ohio	X	X	X	X	X	3,300	1,650	1,861,149
Oklahoma	X	X	X	X	X	348	348	403,375
Oregon	X	X	X	X	X	1,000	1,000	605,509
Pennsylvania	X	X	X	X	X	3,800	3,000	3,017,283
Rhode Island	X	X	X	X	X	500	60	204,811
South Carolina	X	X	X	X	X	595	238	377,049
South Dakota	X	X	X	X	X	203	130	125,832
Tennessee	X	X	X	X	X	848	627	506,004
Texas	X	X	X	X	X	517	400	1,198,078
Utah	X	X	X	X	X	441	215	131,632
Vermont	X	X	X	X	X	255	97	192,317
Virginia	X	X	X	X	X	1,200	1,200	885,730
Washington	X	X	X	X	X	0	0	0
West Virginia	X	X	X	X	X	850	365	339,121

Table 6.—FOSTER CARE INDEPENDENT LIVING PROGRAM—FISCAL YEAR 1989: SERVICES IN PLANS, NUMBER OF CHILDREN AND FEDERAL AWARDS—
Continued

State	Services listed in State plans for fiscal year 1989								Actual Federal awards
	Educational/vocational training	Daily living skills	Individual and group counseling	Coordination of services	Outreach programs	Transition plan	Other services	Eligible children	Children participating
Wisconsin.....	X	X	X	X	.....	X	X	1,429	500
Wyoming.....	X	X	X	X	X	X	.....	70	50
Total	48	49	47	43	37	45	20	64,788	44,191
									\$45,000,000

Note: The information in this table is based on State plans. According to these State plans, 44,191 children will participate in Independent Living Program activities at some time during fiscal year 1989.

Source: Department of Health and Human Services, Office of HDS, ACYF.

CHILDREN VOLUNTARILY PLACED IN FOSTER CARE

The 1980 legislation allows Federal matching payments under title IV-E to be made for AFDC-eligible children removed from their home under a voluntary placement agreement, in lieu of previous law that permitted Federal matching only when placement resulted from a judicial determination. However, under current law a judicial determination that voluntary placement is in the best interests of the child is required within six months of placement and certain specifications must be included in the voluntary agreement.

To be eligible to receive funds for voluntarily placed children, States must implement the foster care protections and procedures required for their allotment of title IV-B funds in excess of \$141 million (i.e. the foster care inventory, information system, case review system, and programs providing placement prevention and reunification services outlined earlier). On a yearly basis HHS is required to report to Congress on the number of title IV-E children placed voluntarily, the reasons for their placement, and the extent to which such placements have contributed to the objectives of the program.

The most recent report to Congress on this subject states that in FY 1987, 22 States participated in the program, the same number that participated the previous year. During both of those years a total of 46 States were eligible to participate. During FY 1987, on average those voluntarily placed accounted for 1,105 children per month in foster care. From 1985 to 1987, the Federal share of claims for children placed voluntarily in foster care increased from \$2.8 million (18 participating States) to \$4.9 million.

According to the Department, based on placement outcome data reported by 16 of the 22 participating States in 1987, children placed voluntarily move through foster care much faster than the general foster care population, with an exit rate of 71 percent compared to 40 percent for the entire population. Forty-eight percent of those placed voluntarily were eventually reunited with their families, and 28 percent were provided court ordered continuations of their placements after staying 180 days in foster care. The placement outcome for the remaining 24 percent of this population is not known. The two primary reasons for voluntary placement were child abuse and neglect (57%), and parental absence (17%), according to data supplied by 18 of the 22 participating States.

CLARIFICATION OF ELIGIBLE TITLE IV-E FOSTER CARE SERVICES AND RECIPIENTS

The 1980 Adoption Assistance and Child Welfare Act also clarified that foster care maintenance payments are intended to cover the cost of (and the cost of providing) food, shelter, daily supervision, school supplies, personal incidentals, liability insurance for the child, and reasonable travel to the child's home for visits. Administrative and operational costs necessary to provide the above items are also allowed for institutional care.

The legislation also stipulates that title IV-E foster care payments may be made for children in public institutions, whereas previously under title IV-A payments were limited to children in private nonprofit institutions or foster family homes. These public

institutions may accommodate up to 25 children. Facilities operated primarily for the detention of delinquents, including forestry camps and training schools, are non-eligible institutions. It is generally agreed that the costs associated with institutional care are substantially higher than the cost of family foster care. The North American Council on Adoptable Children (NACAC) estimates the daily costs associated with basic family foster care to be \$8 to \$15, (up to \$30 for a child with special needs). Comparatively, residential foster care is estimated on average to cost \$100 a day per child (see table 7).

Table 7.—ESTIMATED DAILY RATES FOR COSTS OF OUT-OF-HOME CARE, 1990

Categories of Care	Daily Rate
Basic Family Foster Care	\$8-15
Specialized Foster Care (Supplemental payments for care of children with physical or mental disabilities)	15-30
Therapeutic Foster Care	40
Residential Foster Care	100
Hospital Placement	300

Source: Based on information supplied by the North American Council on Adoptable Children (NACAC).

FOSTER CARE PAYMENT RATES

Table 8 shows each State's basic title IV-E foster care maintenance rates that are paid out on a monthly basis. The rates vary widely. For instance, in 1989 the basic monthly rate for a 16-year-old foster child in the State of Mississippi was \$175 compared with \$477 in the State of Maryland and \$504 in the State of Hawaii. New York City had a monthly payment rate of \$505. The nationwide average for this age group was \$338 per month compared with \$268 for two-year-olds and \$292 for foster children that were nine years of age. Thirty-five of these States included a clothing allowance in this basic rate.

In July of 1989 the American Public Welfare Association conducted a State-by-State assessment of reimbursement rate policies for certain special populations. The results are shown in table 9. According to the survey, 18 States have special policies for foster children that are HIV positive or infected with the AIDS virus, eight States have similar policies for drug-addicted infants, 46 for relatives caring for foster children, 14 for day care, and 29 for liability damages.

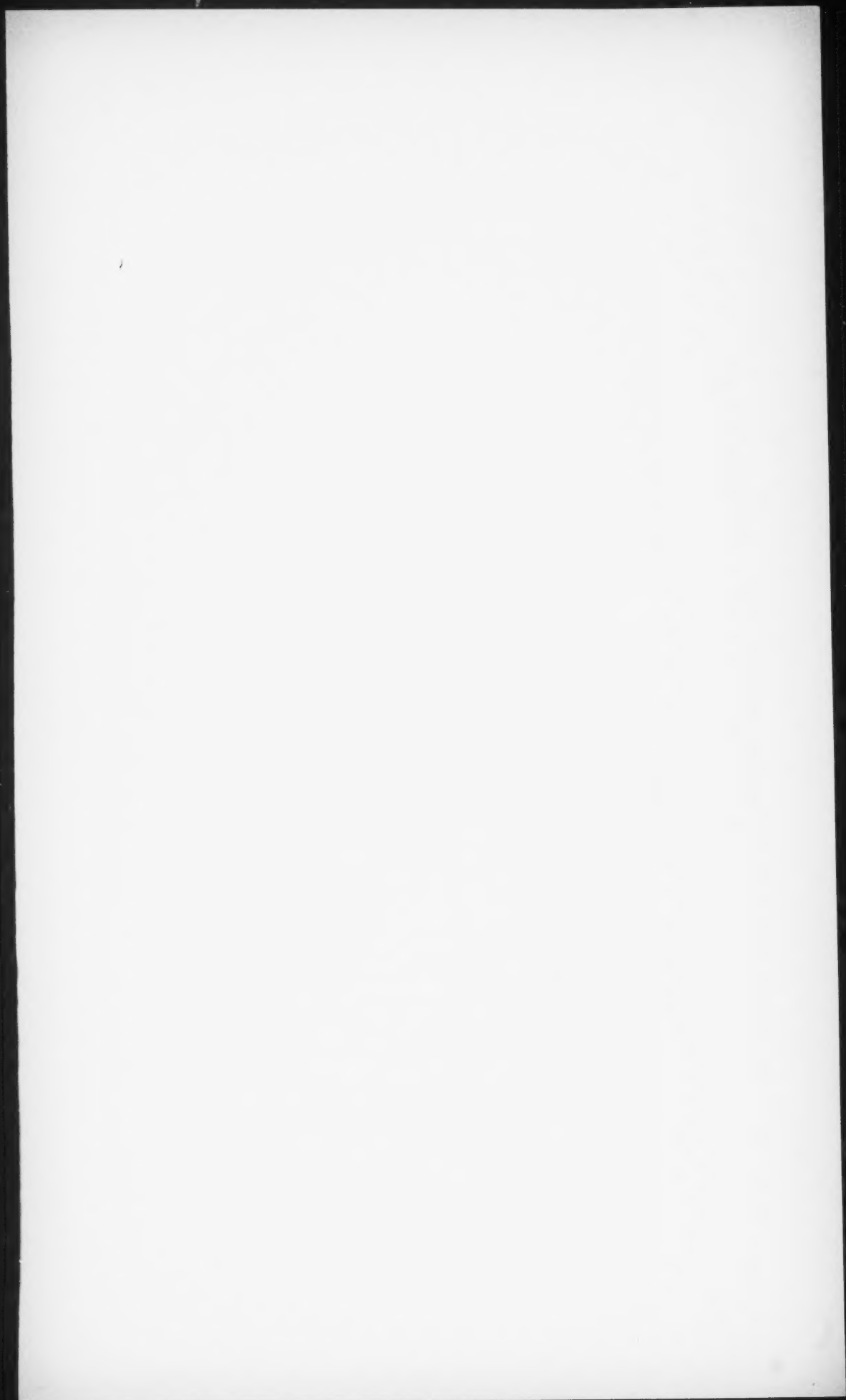


Table 8.—FOSTER CARE BASIC MONTHLY MAINTENANCE RATES FOR CHILDREN AGES 2, 9, AND 16

State	Age 2			Age 9			Age 16			Clothing allowance included in basic rate (1989)
	Age 2			Age 9			Age 16			
	1987	1988	1989	1987	1988	1989	1987	1988	1989	
Alabama.....	168	176	181	188	197	202	198	208	213	yes
Alaska.....	428	428	519	478	474	574	565	565	635	yes
Arizona.....	223	235	240	223	235	240	282	294	299	no
Arkansas.....	175	185	195	190	200	210	220	230	240	yes
California.....	294	294	*294	340	349	*340	412	412	*412	yes
Colorado.....	235	244	284	266	275	284	318	327	338	yes
Connecticut.....	268	280	319	302	316	355	350	367	407	yes
Delaware.....	264	273	284	266	276	286	342	354	369	yes
District of Columbia.....	304	304	307	304	304	307	317	356	321	yes
Florida.....	233	256	286	233	256	286	293	322	360	yes
Georgia.....	300	300	300	300	300	300	300	300	300	yes
Hawaii.....	194	194	504	233	233	504	301	301	504	no
Idaho.....	138	138	208	165	165	230	204	204	308	no
Illinois.....	233	245	257	259	272	286	282	296	311	yes
Indiana.....	226	*242	268	245	*272	312	280	*319	369	yes
Iowa.....	159	168	177	201	213	222	285	270	279	no
Kansas.....	187	195	205	245	264	277	280	334	351	no
Kentucky.....	248	250	250	263	266	266	300	304	304	yes
Louisiana.....	199	199	234	232	232	267	265	265	300	yes
Maine.....	244	253	269	250	260	276	291	302	321	no

Maryland	285	375	460	285	375	460	303	392	477	yes
Massachusetts.....	362	410	410	362	410	410	433	486	436	no
Michigan	315	300	347	315	300	347	395	376	433	yes
Minnesota.....	285	294	308	285	294	308	375	380	399	no
Mississippi.....	130	145	145	150	165	165	160	175	175	yes
Missouri	174	174	182	212	212	222	232	232	244	yes
Montana	283	283	288	283	283	288	354	354	361	no
Nebraska	210	222	222	210	222	222	210	222	222	no
Nevada	275	281	281	275	281	281	330	337	337	no
New Hampshire.....	200	200	200	251	251	251	354	354	354	yes-
New Jersey.....	203	213	213	215	226	226	253	266	266	no
New Mexico	236	291	258	247	288	270	259	315	281	yes
New York.....	312	324	339	375	389	407	434	450	471	no
New York City	342	355	371	403	418	505	465	483	505	no
North Carolina	215	215	215	215	215	215	215	215	215	yes
North Dakota	240	240	250	287	287	300	345	345	400	yes
Ohio	*240	*247	*237	*270	*278	*246	*300	*251	*290	yes
Oklahoma	300	300	300	360	360	360	420	420	420	yes
Oregon	200	204	212	234	238	248	316	322	335	yes
Pennsylvania	558	*280	*291	558	*294	*323	558	*342	*354	no
Rhode Island	223	243	232	223	243	232	275	281	284	yes
South Carolina	138	152	182	158	174	209	208	229	275	yes
South Dakota	188	193	220	230	237	270	276	285	325	yes
Tennessee.....	139	188	213	190	191	213	224	231	250	yes

Table 8.—FOSTER CARE BASIC MONTHLY MAINTENANCE RATES FOR CHILDREN AGES 2, 9, AND 16—Continued

State	Age 2			Age 9			Age 16			Clothing allowance included in basic rate (1989)
	1987	1988	1989	1987	1988	1989	1987	1988	1989	
Texas	243	330	330	243	330	330	274	330	330	yes
Utah	198	198	240	198	198	240	225	225	240	yes
Vermont	210	270	*353	249	270	*353	268	324	*426	yes
Virginia	193	217	228	244	254	267	309	321	337	yes
Washington	184	188	215	227	231	265	268	273	313	yes
West Virginia	161	161	161	202	202	202	242	242	242	no
Wisconsin	163	163	163	224	224	224	284	284	284	yes
Wyoming	300	300	300	300	300	300	330	330	330	no
Average monthly rate	239	246	268	263	269	292	307	315	338	(yes=35 States)

* Average rate-all other rates are base rates.

Source: American Public Welfare Association.

Table 9.—REIMBURSEMENT RATE POLICIES FOR SPECIAL POPULATIONS, JULY 1989

State	HIV + / AIDS	Drug addicted infants	Relative reim- bursement	Day care reim- bursement	Liability damages
Alabama.....	N	N	Y	Y	N
Alaska.....	N	N	Y	N	Y
Arizona.....	Y	N	Y	N	Y
Arkansas.....	N	N	N	N	N
California.....	Y	Y	Y	N	Y
Colorado.....	N	N	Y	N	N
Connecticut.....	Y	N	Y	N	N
Delaware.....	Y	N	N	N	N
District of Columbia.....	N	N	Y	N	N
Florida.....	Y	Y	Y	N	Y
Georgia.....	Y	N	Y	Y	Y
Hawaii.....	N	N	Y	N	Y
Idaho.....	Y	Y	Y	Y	Y
Illinois.....	N	N	Y	Y	Y
Indiana.....	N	N	Y	N	Y
Iowa.....	N	N	Y	N	Y
Kansas.....	N	N	Y	N	Y
Kentucky.....	Y	Y	Y	Y	Y
Louisiana.....	N	N	Y	Y	Y
Maine.....	Y	Y	Y	N	Y
Maryland.....	Y	Y	Y	Y	Y
Massachusetts.....	N	N	Y	N	Y
Michigan.....	N	N	Y	Y	N
Minnesota.....	N	N	Y	N	N
Mississippi.....	N	N	Y	N	N
Missouri.....	N	N	Y	Y	Y
Montana.....	N	N	Y	N	N
Nebraska.....	N	N	Y	N	N
Nevada.....	Y	Y	Y	N	Y
New Hampshire.....	N	N	Y	N	Y
New Jersey.....	Y	N	Y	Y	Y
New Mexico.....	Y	N	Y	N	Y
New York.....	Y	N	Y	Y	N
North Carolina.....	N	N	Y	Y	N
North Dakota.....	N	N	Y	N	Y
Ohio.....	N	N	Y	N	N

Table 9.—REIMBURSEMENT RATE POLICIES FOR SPECIAL POPULATIONS, JULY 1989—
Continued

State	HIV +/ AIDS	Drug addicted infants	Relative reim- bursement	Day care reim- bursement	Liability damages
Oklahoma.....	N	N	Y	N	N
Oregon.....	N	N	Y	N	Y
Pennsylvania.....	N	N	Y	N	N
Rhode Island.....	Y	N	Y	Y	N
South Carolina.....	Y	Y	Y	N	Y
South Dakota.....	N	N	Y	N	N
Tennessee.....	Y	N	Y	N	Y
Texas.....	N	N	N	N	N
Utah.....	N	N	Y	Y	Y
Vermont.....	N	N	Y	N	N
Virginia.....	N	N	Y	N	N
Washington.....	N	N	N	N	Y
West Virginia.....	Y	N	Y	N	Y
Wisconsin.....	N	N	Y	N	Y
Wyoming.....	N	N	N	N	N
Yes States.....	18	8	46	14	29

Y = yes; N = no.

Source: American Public Welfare Association.

EXCLUSION OF FOSTER CHILDREN FROM ANY AFDC ASSISTANCE UNITS

The Deficit Reduction Act of 1984 (P.L. 98-369) required that certain blood-related, adoptive parents, or siblings must be included in the family unit if the family applies for income assistance under the AFDC program. Because there was no statutory exclusion for foster care recipients, AFDC operating policy required that their income be included with the family's when the family's eligibility was determined. Enacted in 1986 by P.L. 99-514, section 478 states that a foster child who is receiving maintenance payments funded under title IV-E may not be considered a family member during the time the family receives AFDC, and that the child's income in the form of maintenance payments and other income and resources must be excluded from the family's as well.

Trends in Foster Care Caseloads

BACKGROUND

The proportion of children in the United States who are in foster care has ranged from 3.9 percent in 1962 to 4.8 percent in 1988. Despite the apparent relative stability of these numbers over the 16-year period, there have been very substantial swings in direction within the last decade. In 1980, the proportion of children in foster

care was 4.4 percent. The percentage dropped to 4.0 percent in 1983, and grew to 4.2 percent in 1987. However, between 1987 and 1988, the percentage of children in foster care grew very substantially, increasing to 4.8 percent in 1988. This is the largest one-year change in the entire 16-year period (see table 10, p. 32).

The number of children in Federally assisted AFDC/title IV-E foster care has grown significantly in the years since the program was created. The number grew steadily from 1962 to 1977, then decreased slightly from 1977 to 1983. Since 1983, the number of foster children funded under title IV-E has increased steadily and the proportion of the foster care population funded under title IV-E has increased substantially (see table 11, p. 33). In 1972, approximately 20 percent of the total foster care population was funded under title IV-E. By 1988 this proportion increased to 41 percent (table 12, p. 34).

RECENT TRENDS

More detailed information is available on these trends from a number of State data collection systems. Currently, some of the most interesting data are obtained from a joint data analysis effort of the New York State Department of Social Services and the Illinois Department of Children and Family Services. Despite their notable geographic differences, both States show similarities in recent caseload trends. In 1988, New York accounted for approximately 14 percent of the total U.S. foster care caseload. Illinois accounted for approximately 5 percent.

Recent increase in caseloads.—In both States yearly admissions and discharges from foster care were fairly equal until 1986. Midway through that year the caseload in both States increased as new admissions into foster care increased and discharges from care fell. In the time period from 1983 to 1989 this resulted in a 80 percent caseload growth in New York, and a 30 percent increase in Illinois' foster care caseload. California's caseload nearly doubled in the 5-year period 1985–1989, growing from 37,000 children in 1985 to 67,000 children in 1989. Unofficial estimates indicate that the entire U.S. caseload increased from approximately 269,000 in 1983 to 360,000 in 1989, an increase of 33 percent.

The impact of crack cocaine on the child welfare system.—There is widespread speculation that a significant portion of this increase resulted from the introduction of crack cocaine into the country during the mid-1980s. The availability of crack has been linked to the abuse of children of all ages. According to a 1990 publication by the House Subcommittee on Human Resources, Ways and Means, New York City officials blame the introduction of crack for the three-fold increase in that city's child abuse and neglect cases involving parental substance abuse between 1986 and 1988. However, the biggest impact that crack has had on the child welfare system is the large increases in very young infants entering the foster care system at birth as a result of prenatal drug usage, drug toxicity at birth, and abandonment at the time of birth in the hospital (boarder babies). Drug-exposed infants also often enter substitute care shortly after they are born as a result of a diagnosed failure to thrive, or parental abuse and neglect.

The 1988 National Association for Perinatal Addiction Research and Education (NAPARE) estimates that 11 percent of all pregnant women use illegal drugs. A 1990 General Accounting Office (GAO) study conducted for the Finance Committee reported that the actual number of drug-exposed infants born each year is unknown, although the study noted that the two most widely cited estimates are 100,000 and 375,000. An HHS office of the Inspector General (OIG) 1989 survey of 12 cities found that 30 to 50 percent of drug-exposed infants enter foster care. Last year, half of all New York City infant foster care admissions were boarder babies. Eighty to ninety percent of these cases involved substance abuse.

Data from New York and Illinois show how these trends are stretching State child welfare systems to their limits. From 1985 to 1988, New York foster care infant admissions (children less than one year old) increased by 89 percent. Illinois experienced a 58 percent increase in infant admissions during these same three years. In 1984, only one percent of all infants born in New York City were placed in foster care, but by 1988, this increased to nearly 28 percent of all infants. In both States nearly all infant admissions occur in the first few days following birth.

In addition, this rise in infant admissions may portend large increases in foster care caseloads in the future. Not only do younger children spend the longest length of time in foster care, but historically many children that are admitted and discharged from foster care eventually re-enter care. During 1989, 15 percent of New York's admissions into foster care was comprised of children re-entering care. A 1988 Illinois study by researchers Dr. Mark Testa and Dr. Robert Goerge found that nearly 40 percent of the earliest cohorts of foster children that are reunified with their parents eventually re-enter substitute care.

Table 10.—U.S. FOSTER CARE POPULATION AND U.S. POPULATION AGES 0 TO 18, 1962–1988

Year	U.S. foster care population (end of fiscal year) ¹	U.S. population ages 0–18 (calendar year) ²	Children in foster care per 1,000 in population
1962.....	272,000	69,864,000	3.9
1963.....	276,000	71,164,000	3.9
1964.....	287,000	72,406,000	4.0
1965.....	300,000	73,520,000	4.1
1966.....	309,600	73,179,000	4.2
1967.....	316,200	73,429,000	4.3
1968.....	320,000	73,396,000	4.4
1969.....	326,000	74,000,000	4.4
1970.....	330,400	73,516,000	4.5
1971.....	319,800	73,665,000	4.3
1972.....	NA	72,369,000	NA
1973.....	NA	72,243,000	NA
1974.....	NA	72,070,000	NA

Table 10.—U.S. FOSTER CARE POPULATION AND U.S. POPULATION AGES 0 TO 18, 1962–1988—Continued

Year	U.S. foster care population (end of fiscal year) ¹	U.S. population ages 0–18 (calendar year) ²	Children in foster care per 1,000 in population
1975	NA	71,402,000	NA
1976	NA	70,500,000	NA
1977	³ NA	69,699,000	NA
1978	NA	67,003,000	NA
1979	NA	68,307,000	NA
1980	⁴ 302,000	67,913,000	4.4
1981	⁴ 274,000	67,571,000	4.1
1982	⁴ 276,000	67,118,000	4.1
1983	⁵ 269,200	66,768,000	4.0
1984	⁵ 275,800	66,863,000	4.1
1985	⁵ 276,300	66,797,000	4.1
1986	⁶ 273,500	66,932,000	4.1
1987	⁶ 285,000	67,221,000	4.2
1988	⁶ 323,000	67,709,000	4.8

¹ Data from Child Welfare Research Notes #8 (July 1984), published by Administration for Children, Youth, and Families, HHS. This note cites as sources of data for the foster care population: annual reports from 1962–72 of the Children's Bureau and the National Center for Social Statistics, Social and Rehabilitation Services; National Study of Social Services to Children and their Families, published by ACYF in 1978, for 1977 data; and the Office of Civil Rights, HHS, report, "1980 Children and Youth Referral Survey: Public Welfare and Social Service Agencies" for 1980 data.

² U.S. Census Bureau, Population Division, unpublished data (1962–1980); U.S. Department of Commerce, Bureau of the Census, *Statistical Abstract of the United States 1985, 1990*.

³ One study involving a sample survey of 9,600 cases was used to project a national foster care caseload in 1977 of 502,000. This is so far out of line with data for other years as to appear highly questionable.

⁴ Data were collected using a variety of methodologies and may not be comparable with each other or with other years.

⁵ "State Child Welfare Abstracts 1980–1985," Maximus Inc. prepared for Office of Social Services Policy, Assistant Secretary for Planning and Evaluation, HHS, December 1987.

⁶ Unpublished VCIS data supplied by the American Public Welfare Association.

Table 11.—REPORTED AFDC/IV-E FOSTER CARE POPULATION AND TOTAL AFDC CHILDREN, FY 1962–1990

Fiscal year	States reporting,	Children receiving AFDC/IV-E foster care (average monthly) ¹	Children receiving AFDC (average monthly) ²	Proportion
1962	11	989	2,781,000	NA
1963	14	2,308	³ 2,921,000	.1%
1964	21	4,081	3,075,000	.1
1965	23	5,623	3,243,000	.2
1966	23	7,385	3,369,000	.2
1967	25	8,030	3,558,000	.2

Table 11.—REPORTED AFDC/IV-E FOSTER CARE POPULATION AND TOTAL AFDC CHILDREN, FY 1962–1990—Continued

Fiscal year	States reporting	Children receiving AFDC/IV-E foster care (average monthly) ¹	Children receiving AFDC (average monthly) ²	Proportion
1968.....	27	8,500	4,013,000	.2
1969.....	30	16,750	4,591,000	.4
1970.....	41	34,450	5,494,000	.6
1971.....	45	57,075	6,963,000	.8
1972.....	48	71,118	7,698,000	.9
1973.....	NA	84,097	7,965,000	1.1
1974.....	NA	90,000	7,824,000	1.2
1975.....	⁴ 50	106,869	7,928,000	1.3
1976.....	same	114,962	8,156,000	1.4
1977.....	same	110,494	7,818,000	1.4
1978.....	same	106,504	7,475,000	1.4
1979.....	same	103,771	7,193,000	1.4
1980.....	same	100,272	7,320,000	1.4
1981.....	same	104,851	7,615,000	1.4
1982.....	same	97,309	6,975,000	1.4
1983.....	same	93,360	7,051,000	1.3
1984.....	same	102,051	7,153,000	1.4
1985.....	same	109,122	7,165,000	1.5
1986.....	same	110,749	7,294,000	1.5
1987.....	same	118,549	7,381,000	1.6
1988.....	same	132,109	7,326,000	1.8
1989.....	same	³ 152,487	7,370,000	2.1
1990.....	same	³ 176,885	NA	NA

¹ Incomplete data based on voluntary reporting prior to 1975.

² Includes foster care children 1971–1981.

³ Estimate.

⁴ Plus the Virgin Islands, Puerto Rico, Guam, and D.C.

Sources: Senate Finance Committee Hearings on Public Assistance Act of 1962 and Public Assistance Statistics (for selected years), Department of Health, Education, and Welfare; Division of Research, Evaluation, and Statistics, Office of Family Assistance, Social Security Administration; Office of Family Assistance and Office of Financial Management, Family Support Administration, HHS.

Table 12.—AFDC/IV-E FOSTER CARE AND TOTAL FOSTER CARE POPULATION IN THE UNITED STATES (FY 1962–1990)

Fiscal year	AFDC/IV-E foster care children (average monthly number)	Total United States in foster care	Proportion
1962.....	989	272,000	0.4%
1963.....	2,308	276,000	0.8

Table 12.—AFDC/IV-E FOSTER CARE AND TOTAL FOSTER CARE POPULATION IN THE UNITED STATES (FY 1962–1990)—Continued

Fiscal year	AFDC/IV-E foster care children (average monthly number)	Total United States in foster care	Proportion
1964.....	4,081	287,000	1.4
1965.....	5,623	300,000	1.9
1966.....	7,385	309,400	2.4
1967.....	8,030	309,600	2.6
1968.....	8,500	316,200	2.7
1969.....	16,750	320,000	5.2
1970.....	34,450	326,000	10.6
1971.....	57,075	330,400	17.3
1972.....	71,118	319,800	22.2
1973.....	84,097	NA	NA
1974.....	90,000	NA	NA
1975.....	106,869	NA	NA
1976.....	114,962	NA	NA
1977.....	110,494	¹ NA	NA
1978.....	106,504	NA	NA
1979.....	103,771	NA	NA
1980.....	100,272	² 302,000	33.2
1981.....	104,851	² 274,000	38.3
1982.....	97,309	² 276,000	35.3
1983.....	93,360	³ 269,000	34.7
1984.....	102,051	³ 276,000	37.0
1985.....	109,122	³ 276,000	39.5
1986.....	110,749	⁴ 273,500	40.5
1987.....	118,549	⁴ 285,000	42.0
1988.....	132,109	⁴ 323,000	40.9
1989 (estimate).....	152,487	NA	NA
1990 (estimate).....	176,885	NA	NA

¹ See footnote 3, table 10.² See footnote 4, table 10.³ See footnote 5, table 10.⁴ See footnote 6, table 10.

Sources: See tables 10 and 11.

Trends in Foster Care Costs

TITLE IV-E INCREASES IN RELATION TO TITLE IV-B

Given the trends in caseload growth, it is not surprising that Federal foster care expenditures for title IV-E have increased significantly (table 13, p. 36). Although funding for title IV-B child welfare services increased by 54 percent from 1981 to 1990 (\$163.6 million to \$252.6 million), during this same time period (based on

administration estimates for 1990) Federal title IV-E expenditures increased 122 percent (from \$278.4 million to \$617.7 million).

Table 13.—FOSTER CARE EXPENDITURES, FY 1971-91

[In millions of dollars]

Fiscal year	IV-B Total expenditures	AFDC foster care total expenditures (State & Federal)	AFDC/IV-E foster care maintenance payments (Federal share only)
1971.....	NA	¹ \$70	\$40
1972.....	NA	² 160	85
1973.....	NA	² 129	71
1974.....	NA	² 166	90
1975.....	NA	² 259	138
1976.....	NA	² 423	221
1977.....	NA	³ 351	183
1978.....	NA	⁴ 403	209
1979.....	NA	⁵ 392	205
1980.....	NA	416	217
1981.....	\$163.6	NA	278.4
1982.....	156.3	NA	301.3
1983.....	same	NA	275.5
1984.....	165.0	NA	297.8
1985.....	200.0	NA	355.3
1986.....	⁶ 198.1	NA	404.6
1987.....	222.5	NA	422.0
1988.....	239.4	NA	520.7
1989 (est.).....	246.7	NA	572.2
1990 (est.).....	⁶ 252.6	NA	617.7
1991 (est.).....	⁷ 300.0	NA	927.4

¹ No reporting for Illinois, Massachusetts, and Pennsylvania.

² No reporting for Illinois, Puerto Rico, and the Virgin Islands.

³ No reporting for Illinois, Guam, Puerto Rico, and the Virgin Islands.

⁴ No reporting for Illinois, Rhode Island, Guam, Puerto Rico, and the Virgin Islands.

⁵ No reporting for Arizona, Illinois, Guam, Puerto Rico, and the Virgin Islands.

⁶ Reflects a 4.3 percent reduction in the \$207 million IV-B child welfare funds appropriated in 1986, due to sequestration under the Gramm-Rudman-Hollings legislation; and a 1.4 percent reduction in the \$256.1 million appropriated in 1990, also due to sequestration.

⁷ The administration included \$300 million for title IV-B in its FY 1991 proposed budget. Congress has not enacted legislation appropriating 1991 funding for this program.

Sources: HHS. Data for FY 1971-79 from Expenditures for Public Assistance Programs. Data in column 3 do not include title IV-E child placement, administrative and training costs.

Table 14.—TITLE IV-E FOSTER CARE EXPENDITURES, TITLE IV-B TRANSFERS, AND
NUMBER OF CHILDREN—FISCAL YEAR 1989

State	Foster care expenditures (thousands)	IV-B transfers (thousands)	Fiscal year 1989 average monthly number of children
Alabama	\$2,061	\$403	1,149
Alaska	2413		259
Arizona	6,179		706
Arkansas	2,095		372
California	222,553		34,478
Colorado	5,839		1,935
Connecticut	10,517		1,604
Delaware	1,247		255
District of Columbia	5,443		288
Florida	16,213		2,433
Georgia	12,612		2,221
Hawaii	71	84	42
Idaho	445	105	314
Illinois	49,686		8,715
Indiana	2,074	477	1,529
Iowa	4,737		1,187
Kansas	5,311	190	1,250
Kentucky	20,455		1,538
Louisiana	18,287		3,003
Maine	5,797		829
Maryland	16,997		982
Massachusetts	14,723		1,542
Michigan	72,162		7,915
Minnesota	20,603		2,061
Mississippi	979	307	660
Missouri	15,951		2,140
Montana	2,071		424
Nebraska	5,219		910
Nevada	1,561		433
New Hampshire	2,378		454
New Jersey	17,320		3,114
New Mexico	4,254		745
New York	358,653		34,219
North Carolina	2,265		1,526
North Dakota	1,566		305

Table 14.—TITLE IV-E FOSTER CARE EXPENDITURES, TITLE IV-B TRANSFERS, AND NUMBER OF CHILDREN—FISCAL YEAR 1989—Continued

State	Foster care expenditures (thousands)	IV-B transfers (thousands)	Fiscal year 1989 average monthly number of children
Ohio	36,307		4,473
Oklahoma	5,683		737
Oregon	13,653		2,066
Pennsylvania	49,858		7,576
Rhode Island.....	5,810		430
South Carolina.....	4,624		1,119
South Dakota	1,884		208
Tennessee.....	9,442		1,561
Texas.....	35,247		3,338
Utah	2,066		422
Vermont	5,241		730
Virginia.....	7,297		1,926
Washington	11,847		2,202
West Virginia.....	9,803		880
Wisconsin.....	16,883		3,175
Wyoming.....	763		114
Total.....	1,147,145	1,566	152,487

Source: Department of Health and Human Services, Office of HDS, ACYF.

Table 15.—TITLE IV-B CHILD WELFARE SERVICES: STATE-BY-STATE ALLOCATIONS

[In thousands of dollars]

State	Fiscal year—	
	1989 actual	1990 appropriation
Totals	246,679	252,648
Alabama	5,136	5,219
Alaska	294	529
Arizona	3,797	3,869
Arkansas	3,095	3,107
California.....	23,101	23,793
Colorado	3,091	3,229
Connecticut	2,143	1,972
Delaware	654	658

Table 15.—TITLE IV-B CHILD WELFARE SERVICES: STATE-BY-STATE ALLOCATIONS—
Continued

[In thousands of dollars]

State	Fiscal year—	
	1989 actual	1990 appropriation
District of Columbia.....	432	437
Florida.....	10,361	10,567
Georgia.....	7,301	7,293
Hawaii.....	1,119	1,154
Idaho.....	1,389	1,454
Illinois.....	10,773	10,666
Indiana.....	6,064	6,155
Iowa.....	3,074	3,001
Kansas.....	2,461	2,545
Kentucky.....	4,556	4,619
Louisiana.....	5,657	5,992
Maine.....	1,391	1,363
Maryland.....	3,798	3,729
Massachusetts.....	4,418	4,154
Michigan.....	9,551	9,299
Minnesota.....	4,206	4,170
Mississippi.....	3,923	3,971
Missouri.....	5,235	5,234
Montana.....	1,049	1,052
Nebraska.....	1,744	1,923
Nevada.....	964	998
New Hampshire.....	1,024	989
New Jersey.....	5,465	5,013
New Mexico.....	2,072	2,091
New York.....	14,373	14,110
North Carolina.....	7,189	7,269
North Dakota.....	849	855
Ohio.....	10,429	11,255
Oklahoma.....	3,735	3,900
Oregon.....	2,850	2,882
Pennsylvania.....	11,236	11,121
Rhode Island.....	953	956
South Carolina.....	4,469	4,468

Table 15.—TITLE IV-B CHILD WELFARE SERVICES: STATE-BY-STATE ALLOCATIONS—
Continued

[In thousands of dollars]

State	Fiscal year—	
	1989 actual	1990 appropriation
South Dakota	938	948
Tennessee.....	5,598	5,653
Texas.....	18,958	19,869
Utah.....	2,891	2,931
Vermont	583	661
Virginia.....	5,463	5,405
Washington	4,382	4,492
West Virginia.....	2,397	2,386
Wisconsin.....	5,077	5,088
Wyoming.....	382	657
American Samoa.....	163	167
Guam	342	353
Northern Marianas.....	118	120
Puerto Rico	3,674	6,567
Virgin Islands	295	293

Source: Department of Health and Human Services, Office of HDS, ACYF.

INCREASES IN TITLE IV-E PLACEMENT, ADMINISTRATIVE AND TRAINING COST EXPENDITURES

Expenditures for what in the past have been labeled "administrative costs" have increased significantly since 1980. Table 1 in Part VII (p. 119) of this document shows that at some point in the 1990s the amount expended on these "administrative costs" may be equal to the Federal reimbursement of States' title IV-E maintenance claims. HHS estimates that this will take place within the next fiscal year (FY 1991). Partly because of a difference in methodologies, the Congressional Budget Office (CBO) estimates that this will take place approximately four years later, in FY 1995.

In October of 1987, the HHS Office of Inspector General published a report on the high absolute levels of title IV-E administrative and training costs and the wide variation of claims among States. The report found that the administrative costs associated with the foster care program are much higher than those associated with similar programs such as AFDC, and the Medicaid and Food Stamps programs. However, this was attributed to the fact that allowable title IV-E administrative costs include activities that are not allowed as administration for other comparable programs. Claimable title IV-E administrative costs include:

- referral to services at time of intake;

- preparation for, and participation in, judicial determinations;
- placement in foster care;
- development of a case plan;
- case reviews;
- case management and supervision;
- recruitment and licensing of foster homes and institutions;
- foster care rate setting.

These activities have increased as a result of caseload growth, and have become more expensive because the children currently entering foster care have more complex problems than they have historically. The growth in title IV-E administrative costs is discussed in greater detail in Part VII of this document.

DECLINE IN TITLE XX FUNDING

Except for an increase in 1976 aimed specifically at funding child care services and a general increase of \$200 million that became effective in 1979, the overall funding level of the title XX program remained relatively stable during the 1970s. Funding for the program was reduced significantly in 1982, to \$2.4 billion, but has been increased in nominal dollars so that it now stands at \$2.8 billion. However, title XX funding has not kept pace with inflation. Table 16 shows that in 1990 dollars the value of title XX funding decreased by 53 percent from 1977 to 1991.

Title XX is a major funding source for many State foster care-related programs, including child protective services (CPS), services to prevent placement in foster care, and substitute care programs. However, States use title XX funding for many other programs as well, including day care services for children and adults, community and home care for the elderly, services for the disabled, employment and training programs, various residential programs, and information and referral services. In general, States are given wide discretion on the manner in which they can spend their title XX allotment. Programs funded with title XX dollars are required to meet the following five goals:

- achieve or maintain economic self-support to prevent, reduce, or eliminate dependency;
- achieve or maintain self-sufficiency, including reduction or prevention of dependency;
- prevent or remedy neglect, abuse, or exploitation of children and adults, or preserve, rehabilitate, or reunite families;
- prevent or reduce inappropriate institutional care by providing community and home-based care; and
- secure referral or admission to institutional care when other forms of care are not appropriate, or provide services to individuals in institutions.

Table 16.—TITLE XX SOCIAL SERVICES BLOCK GRANT FUNDING LEVELS

[In millions of dollars]

Fiscal year	Entitlement ceiling	
	Nominal dollars	1990 dollars
1977.....	¹ 2,796	5,740
1978.....	¹ 2,791	5,384
1979.....	¹ 2,991	5,298
1980.....	² 2,791	4,450
1981.....	² 2,991	4,331
1982.....	³ 2,400	3,247
1983.....	⁴ 2,675	3,461
1984.....	2,700	3,351
1985.....	⁵ 2,725	3,264
1986.....	⁶ 2,584	3,019
1987.....	2,700	3,068
1988.....	2,700	2,944
1989.....	2,700	2,810
1990.....	⁷ 2,762	2,762
1991.....	2,800	2,686
1992 and future years.....	2,800	.....

¹ Included \$16 million for Puerto Rico, Guam and the Virgin Islands and \$59 million in fiscal year 76, \$80 million in fiscal year 77 and \$15 million in fiscal years 78 and 79 for title XX staff training.

² Included \$16.1 million for Puerto Rico, Guam, the Virgin Islands and the Northern Marianas and \$75 million for title XX staff training.

³ Public Law 97-35 eliminated separate funding for title XX staff training.

⁴ Includes \$225 million appropriated in the emergency jobs bill (Public Law 98-8).

⁵ Includes \$25 million earmarked for training of day care providers, licensing officials and parents including training in the prevention of child abuse in child care settings.

⁶ The entitlement ceiling for fiscal year 1986 was \$2.7 billion. However, the Gramm-Rudman-Hollings legislation sequestration of funds for fiscal year 1986 reduced the funding by \$116 million to \$2.584 billion.

⁷ The entitlement ceiling for fiscal year 1990 was \$2.8 billion. However, the Gramm-Rudman-Hollings legislation sequestration of funds for fiscal year 1990 reduced the funding by \$37.8 million to \$2.762 billion.

Note.—Nominal dollars converted to constant 1990 dollars using the CPI-XI price index.

FEDERAL, STATE, & LOCAL SHARE OF FUNDING

Federal matching funds for the child welfare services program increased from \$164 million in 1981 to \$253 million in 1990, a growth in inflation-adjusted dollars of only six percent. As noted above, the social services block grant, which most States have traditionally depended on for a major part of their funding for child welfare services, has declined substantially in real terms (by 53 percent from 1977 to 1991). Although Federal matching for so-called "administrative costs" grew significantly from \$30 million in 1981 to \$353 million in 1988, States have been using these new 50 percent matching funds to implement the requirements imposed by the 1980 legislation.

Today, the child welfare, foster care, and adoption assistance programs are funded mostly by dollars from State and local government. Table 1 in Part IV of this document presents an analysis by

the American Public Welfare Association that shows that Federal funds account for about 40 percent of all child welfare services, about 30 percent of all foster care maintenance payments, and about 40 percent of foster care services.

Developments in Child Welfare Services

SERVICES TO STRENGTHEN FAMILIES AND PREVENT FOSTER CARE PLACEMENT

Preplacement Prevention Services.—A number of States have placed a great deal of emphasis on developing the preplacement prevention strategies specified in P.L. 96-272. Although these services vary according to State and local needs and priorities, a 1990 briefing paper prepared by Theodora Ooms, Director, Family Impact Seminar, provides a common definition for the form such services sometimes take: "family preservation services are defined as time-limited intensive interventions offered to families facing the crisis of imminent removal of a child from their home for placement in substitute care." Typically, a social worker with a small caseload begins working intensively with a family in the home within 24 hours of referral, counseling the family on interaction skills and providing it with resource referrals and practical services. The services often continue for one to four or more months.

Historically, the most well-known of these programs is Homebuilders, which was developed in 1974 in Tacoma, Washington by two behavioral psychologists. Currently, this particular program operates in over a dozen States and numerous localities. Variations of this program are even more wide-spread. Homebuilders is based on the concept that families become abusive because they lack the emotional and financial resources to cope with an external stress. However, the threat of having a child placed in foster care in turn provides a "window of opportunity" in which families can learn to change and improve their basic interaction.

The State of Maryland's Intensive Family Services program (IFS) provides a programmatic example of this strategy. Piloted in 1985 and expanded significantly in 1986, the program provides intensive services for families in which a child is at-risk of foster care placement. There are no financial eligibility requirements and no fee is charged for services. IFS services include: providing family and individual counseling; teaching parenting skills and child development; purchasing basic services (food, clothing, shelter, day care, transportation, respite care); and purchasing specialized care (diagnostic testing, family therapy, substance abuse or sexual abuse treatment).

The practice of intensive preplacement prevention "family preservation services" has grown for a number of reasons.

First, ideally these programs may limit the number of children in substitute care to those children in immediate physical danger, thereby lowering States' caseload levels.

Second, the majority of foster children are eventually reunified with their families (nationwide, in 1985, 66 percent of all foster care children were reunited with their families). An effective preplacement prevention program seeks to address the familial prob-

lems that led to the threat of substitute care placement at the time when those problems are the most apparent.

Third, conceivably such a program can be less expensive than lengthy or repeated stays in foster care. The Maryland Department of Human Resources reports that in FY 1989 it served 1,000 children in its Intensive Family Services program at a cost of \$2,936,400 (on average \$2,936 per child). Comparatively, 7,050 children were placed in foster care at a total cost of \$39,199,600 (on average \$5,560 per child). The cost per child in need of a specialized home was \$21,420 and the costs associated with residential and institutional care were even higher. However, family preservation programs may be less cost-efficient if they fail to obviate the need for repeated future preventive services or foster care placement.

The effectiveness of programs varies by the measure employed. Homebuilders of Tacoma, Washington reports a 98 percent success rate in keeping the family intact for four to six weeks while services are provided, and a 1983 study conducted by the Florida auditor general determined a State preplacement prevention program had an 85 percent success rate in keeping children at home six months after services were terminated. However, according to an article by Harvey Frankel in the March, 1988 "Social Service Review," no encouraging results can be reported from the few studies that have compared a group of families receiving such services with a group of similar families that has not. Over time, children from both groups are placed in foster care at roughly equal rates. More definitive research that follows this control/experimental design is needed before the effectiveness of these services can be fully assessed.

Family and Community Support Programs.—Maryland's Family Support Centers provide an example of services that attempt to provide family support in communities in an effort to alleviate problems before they reach crisis proportions. The centers, located in a few communities throughout the State, are available for teen parents and their young children to use on a drop-in basis. The centers' primary objectives are to interrupt the cycle of poverty by preventing additional pregnancies, providing health care counseling, encouraging (and if possible enabling) parents to complete their education, acquire job skills, and become better parents. All activities also focus on child development. No fee is charged and there are no financial eligibility requirements.

Service Coordination.—Recently, child welfare professionals have increasingly advocated the need for better coordination of services for families and children. The impetus for this type of reform rests on the observation that specialized services for children and families are often forced to address problems that are complex and interrelated. It is theorized that a coordinated service system could better respond to these types of problems, as well as to the overall increased demand for family and children services.

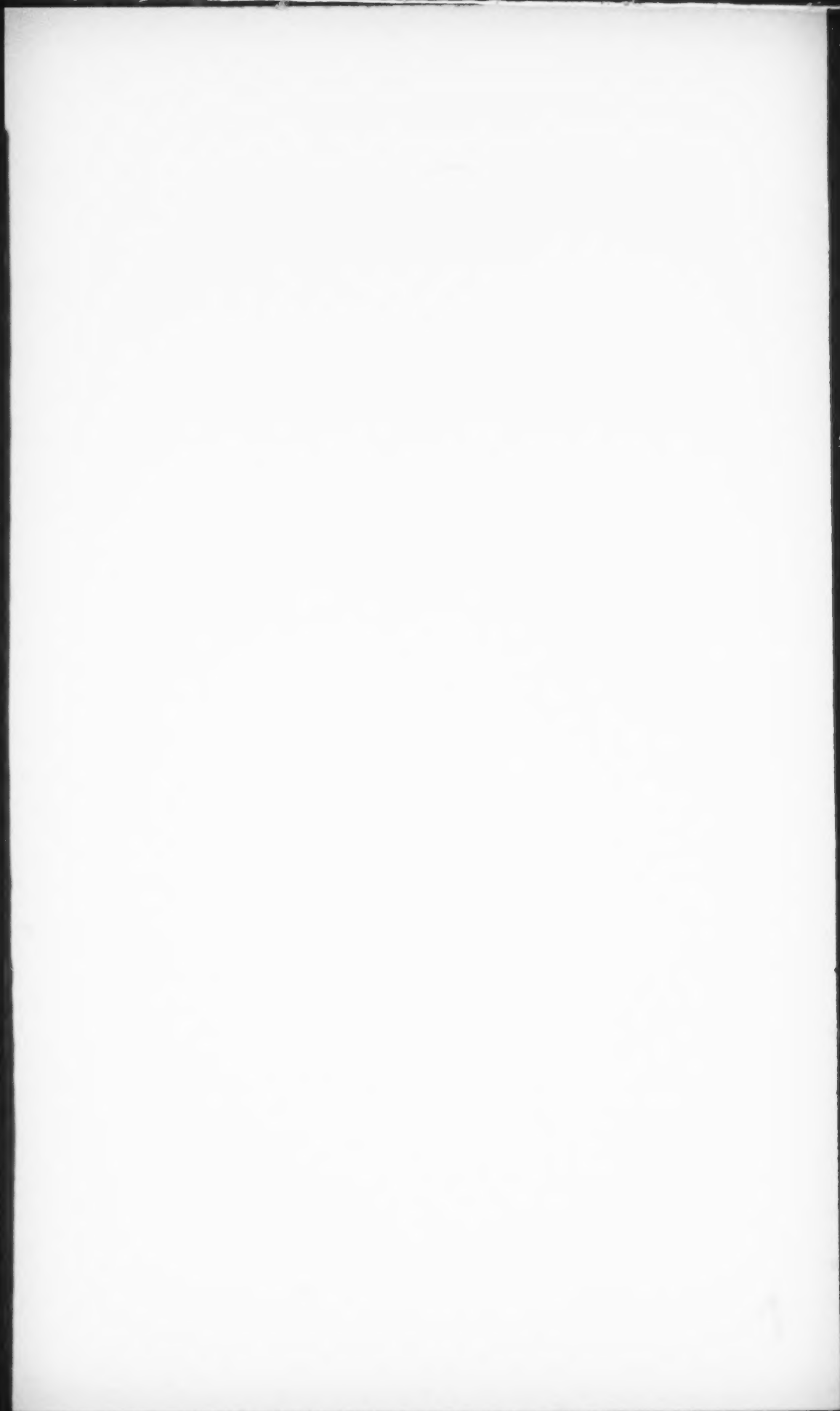
Funded primarily by a number of private non-profit foundations, two national initiatives are currently underway that encourage the reorganization of such services as Child Protective Services (CPS), foster care, education, mental health, and juvenile justice services into a coordinated child welfare system. One example is the Annie E. Casey Foundation's Child Welfare Reform Initiative currently

operating in the States of Maryland, North Dakota, and Connecticut. Another example is the McConnell L. Clark Foundation and National Council of State Legislators (NCSL) Reform and Coordination of State Services for Children and Families Initiative operating in the States of Nevada and Iowa.

The Casey Foundation Initiative provides incentives for States to pursue statutory, administrative, programmatic, fiscal, and practice-level changes in their child welfare services. One county is selected in each State for program implementation (Prince George's County in the State of Maryland). Program personnel report that their goal is not to add new community programs and resources, but rather to incorporate existing service elements into a coordinated system. After a five-year period, the goal is to take the lessons learned at a county level and institutionalize them at a State level.

The Clark Foundation/NCSL Initiative is a similar three-year venture aimed at facilitating the interagency coordination of CPS, foster care, mental health, and juvenile justice in the States of Nevada and Utah. In 1987 Iowa authorized two counties (Scott and Polk) to pool their child welfare funds to fund a coordinated system.

Many States are incorporating the concept of service coordination into their existing programs for children and families. For instance, the Children's Advocacy Center (an interagency program developed by coordinating law enforcement, medical, and mental health personnel), currently operating in Philadelphia, was formed to serve children that have been sexually abused. The program is designed to avoid the duplication of unnecessary multiple interviews and record keeping, and to encourage information sharing in order to avoid lengthy delays in crisis counseling, protective orders, and prosecutions. Funds are being provided jointly by the Philadelphia City Council and the Pennsylvania Department of Public Welfare for the first three years that the program is in operation.



PART II. CHARACTERISTICS OF CHILDREN IN FOSTER CARE

Introduction

Foster care by definition serves children from troubled families; however, the problems faced by vulnerable families appear to be worsening and growing more complex. The effects of numerous social problems—drug abuse, child abuse, homelessness and poverty—seem to be overloading our public foster care system.

Ten years after major child welfare and foster care reforms were enacted, Congress is undertaking a close examination of these programs to determine the effectiveness of the 1980 legislation, and to determine what new pressures are affecting the system that were not anticipated or addressed in the 1980 law. However, very little national information is available to assist this examination.

This Part presents findings of the few national studies that are available, and attempts to draw a profile of foster care programs in a few States. Virtually all data presented in this chapter have limitations and should be used with care. However this information may be useful in describing patterns in foster care and in suggesting trends.

Sources of National Data; Data Limitations

The primary source of national data on foster care is the Voluntary Cooperative Information System (VCIS) conducted by the American Public Welfare Association (APWA). This voluntary survey was begun by APWA, with support from the U.S. Department of Health and Human Services (HHS), in 1982. VCIS reports are available covering foster care activities in FY 1982 through FY 1986. The most recent report, covering FY 1986, was released in April 1990.¹ In addition, some preliminary data are available from the VCIS on the numbers of children in care during FY 1987 through FY 1989.

For FY 1986, 48 States, the District of Columbia and Puerto Rico responded to the voluntary survey. However, not all States and jurisdictions were able to respond to every question in the survey; therefore, the data are incomplete for many items, and, according to APWA, should be considered "rough" national estimates. It also should be noted that definitions of some terms varied among States and that reporting periods were not identical among States. Although all data are reported as applicable to FY 1986, States were able to use either the Federal fiscal year or their own annual re-

¹ *Characteristics of Children in Substitute and Adoptive care*, based on FY86 data. American Public Welfare Association, Washington, DC., Apr. 1990.

porting period or fiscal year, which fell between July 1985 and December 1986.

The VCIS data report on all children in substitute care under the management and responsibility of the State child welfare agency, including: foster family care (relative and non-relative), group homes, child care facilities, emergency shelter care, supervised independent living, non-finalized adoptive placements, and any other arrangement considered 24-hour substitute care by the State agency. No distinctions are made among these different forms of substitute care. Finalized adoptions are not included in the VCIS data; however, non-finalized adoptions are reflected in the data.

Federal legislation in 1986 set in motion a process that eventually should result in a mandatory Federal data collection system for foster care and adoption assistance. Once operational, the new data collection system will replace the VCIS. Development of this data collection is discussed in greater detail in Part VI of this document.

The VCIS data provide the most complete, albeit limited, picture of foster care children and their circumstances. While this Part will draw most heavily from the VCIS, at least two other studies are useful in identifying major trends and in supplementing the VCIS findings. The House Select Committee on Children, Youth and Families conducted a survey in 1989 of foster care in the 10 most populous States, the results of which were published in a report which also summarized the findings of congressional hearings and other studies.² The Select Committee data should be used with caution because not all 10 States were able to respond to all data elements, and definitions and reporting periods varied as in the VCIS data. However, the Select Committee's report is useful as one of the few sources of recent data estimates on the number of children in care.

In addition, the National Black Child Development Institute (NBCDI) reported in 1989 on the results of a 2½-year study of black children in foster care in five major cities (Detroit, Houston, Miami, New York, and Seattle).³ This study attempted to develop more detailed information than obtained through the VCIS system, such as information on children's education and health status, characteristics of their biological families, and specific reasons for placement. Readers should keep in mind that the NBCDI study focused only on black children, and took place only in five cities. Further, NBCDI identified several methodological limitations in its study. Data were collected primarily by volunteers and thus were subject to varying interpretations. Reporting periods varied among cities, and the definition of foster care used in the NBCDI survey, as in the VCIS and Select Committee reports, was the broadest possible and included all forms of 24-hour substitute care. Nonetheless, the NBCDI report is useful in supplementing other data and in drawing a general picture of the circumstances of a significant portion of the children in foster care.

² U.S. Congress. House. Select Committee on Children, Youth and Families. *No Place to Call Home: Discarded Children in America*. Committee Print, 101st Cong., 1st Sess. Washington, U.S. Govt. Print. Off., 1989.

³ *Who Will Care When Parents Can't? A Study of Black Children in Foster Care*. National Black Child Development Institute, Washington, DC., 1989.

Where possible and useful, this Part will contrast the most recent VCIS data with comparable data gathered through the VCIS in earlier years. However, for most data elements measured through the VCIS, the middle 1980s were a relatively stable period for foster care. This Part does not discuss the more significant changes that took place in substitute care for children from the 1970s to the 1980s. Similarly, because very little detailed national information is available about foster care since 1986, some of the very recent trends, which have been suggested through anecdotal and individual State reports, may not be reflected in the national data discussed in this Part.

Characteristics of the Foster Care Population

NUMBER OF CHILDREN IN SUBSTITUTE CARE

No precise figure is currently available on the number of children in foster (or substitute) care at a given point in time. However, there are various estimates of the number of children in substitute care. As mentioned above, readers should keep in mind that not all children described as being in substitute care are living in foster family homes, but may be in other forms of substitute care such as group homes or residential institutions, emergency shelters, or, if older teens, living alone with supervision.

The latest VCIS report provides several estimates of the number of children in substitute care in FY 1986 (defined as the Federal fiscal year or the State's fiscal year). At the beginning of FY 1986, APWA reports that an estimated 273,000 children were in substitute care, and at the end of the fiscal year, roughly 280,000 children were in substitute care.⁴

In addition to the number of children reported as being in care on the first and last days of the fiscal year, the numbers of children who entered and left care during the year and a cumulative total number of children served throughout the year also were estimated by APWA, as shown below. As with all VCIS data, these numbers should be read carefully because not all States responded to all data questions; national figures are estimates based on State reports.

Table 1.—CHILDREN IN SUBSTITUTE CARE, FY 1986

Point in time	Number of children
In care, start of FY 1986.....	273,000
Entered during FY 1986.....	¹ 183,000
Total served during FY 1986.....	456,000
Left during FY 1986.....	176,000
In care, end of FY 1986.....	280,000

⁴ Because some State definitions of substitute care did not comply with APWA's definition, APWA also reports adjusted figures of 268,000 children in care at the start of FY 1986, and 275,000 children at the end of the period. However, the unadjusted figures are used most frequently.

¹ According to reports from 22 States, 81 percent of children who entered care during FY 1986 were new entrants; 19 percent re-entrants.

Source: APWA, Apr. 1990.

The following table shows the number of children in care at the start and end of the fiscal year, as reported by APWA since the beginning of the VCIS survey in 1982. These numbers are not absolutely comparable from year to year because of some differences in definitions; they should be viewed as trend data and not as precise counts of the number of children in care.

Table 2.—CHILDREN IN SUBSTITUTE CARE, FY 1982–1986

Fiscal year	Number of children, start of year	Number of children, end of year
1982	273,000	262,000
1983	263,000	269,000
1984	272,000	276,000
1985	270,000	276,000
1986	273,000	280,000

Source: APWA, Apr. 1990.

Although the most recent complete results of the VCIS are for FY 1986, VCIS data are also available for the number of children in substitute care at the end of FYs 1987, 1988 and 1989, and are shown in table 3. These figures were developed during research conducted by APWA on the impact of substance abuse on the child welfare system.⁵ While the 1987 and 1988 figures are based on reports from 50 States and the District of Columbia, the 1989 figure is based on reports from 9 States with the largest number of substitute care children. APWA characterizes the 1989 figure as "tentative" but likely to be conservative. While the data from 1982 through 1986 show slight annual increases in the substitute care population, the estimates for more recent years indicate a dramatic rise in the numbers of children in out-of-home care.

Table 3.—CHILDREN IN SUBSTITUTE CARE, FY 1987–1989 (APWA)

Fiscal year	Number of children, end of fiscal year
1987	293,000
1988	330,000
1989	¹ 360,000

¹ This figure is extrapolated from reports from nine States; "tentative yet conservative," according to APWA.
Source: APWA, Feb. 1990.

⁵ *Children of Substance Abusing/Alcoholic Parents Referred to the Child Welfare System: Summaries of Key Statistical Data Obtained from States.* American Public Welfare Association, Feb. 1990.

In addition to the above estimates for recent years, the House Select Committee on Children, Youth and Families surveyed the 10 most populous States on their foster care programs in FYs 1986, 1987 and 1988. On the basis of this 10-State survey, plus information from one additional State, the Select Committee estimated the following numbers of children in substitute care, at any given point during the year, nationwide:

Table 4.—CHILDREN IN SUBSTITUTE CARE, FY 1986–1988 (SELECT COMMITTEE)

Fiscal year	Number of children, average throughout year
1986.....	289,000
1987.....	307,750
1988.....	340,300

Source: House Select Committee on Children, Youth and Families, November 1989.

One additional set of figures is available relating to the number of children in foster care. Federal reimbursement to States for maintenance costs associated with foster children whose biological families qualify for Aid to Families with Dependent Children (AFDC) is available under Title IV-E of the Social Security Act. The average monthly number of children for whom Federal reimbursement is claimed has increased from 97,309 in 1982 to an estimated 152,487 in 1989.⁶ HHS estimates that, in FY 1991, reimbursement will be claimed for an average monthly caseload of 205,187.⁷

It is generally considered that the number of children for whom Title IV-E reimbursement is claimed represents approximately 40 percent of the entire foster care caseload.⁸ Thus, based on the HHS estimate of the number of federally subsidized children in care in 1989, it could be calculated that approximately 380,000 children were in care overall in that year. This figure is not inconsistent with APWA's tentative estimate of 360,000 children in FY 1989.

Some caution should be used in assessing these data. The extent to which States identify IV-E eligible children is uneven. However, a number of States are believed to have been making increased efforts to do so in order to claim Federal matching. Some of the increased IV-E caseload, therefore, could represent a shift of categories rather than an absolute increase.

CHARACTERISTICS OF CHILDREN IN SUBSTITUTE CARE

Much of the demographic data collected on children in substitute care through the VCIS reflect three different groupings: children entering care during the study period, all children remaining in care at the end of the period, and children who left care during the period. The following sections will summarize these data. Again,

⁶ See table 11 in Part I of this document.

⁷ U.S. Department of Health and Human Services. Office of Human Development Services. FY 1991 budget justifications.

⁸ American Public Welfare Association, *W-Memo*. Aug. 1, 1989, p. 13.

readers should keep in mind that different numbers of States provided information for each data element; therefore, comparisons should be made cautiously.

Age.—The following table shows the age breakdown of children entering care, in care, and leaving care during FY 1986. APWA's analysis of these data with comparable information from previous years does not show dramatic changes in the age composition of children in foster care from FY 1983 through FY 1986. However, while the percentage of children under age 1 in substitute care is small (3.9 percent), the proportion of children in this age group who entered care (10.4 percent) is double the percentage of children under age 1 who left care (5.1 percent).

Table 5.—AGES OF CHILDREN ENTERING, IN, AND LEAVING SUBSTITUTE CARE, FY 1986
[in percentages]

Age range	Entering	In care	Leaving
All ages.....	100	100	100
Under 1 year.....	10.4	3.9	5.1
1-5 years.....	24.9	23.3	23.0
6-12 years.....	25.6	29.3	23.4
13-18 years.....	38.0	40.3	44.3
19 years and older.....	.8	3.0	3.9
Age unknown.....	.3	.2	.3
Median age (years).....	10.0	11.5	12.5
Number of States reporting.....	32	33	30

Source: APWA, Apr. 1990.

The House Select Committee on Children, Youth and Families also examined the ages of children in its 10-State survey, and estimated that 42 percent of children in substitute care nationwide were under age 6 in 1988, compared with 37 percent in 1985. Of the 1,003 black children included in the National Black Child Development Institute 5-city survey, 49 percent were under age 6 in 1986, 20 percent were between the ages of 6 and 9, 27 percent were 10 to 15 years old, and 6 percent were ages 16 through 18, according to the NBCDI report.

Gender.—Children of both genders are placed at roughly equal rates. The VCIS data report that 51.3 percent of children in substitute care in FY 1986 were male; 48.6 percent were female. A comparison of this finding with data from previous years found no significant change since the study was begun in FY 1982.

Race/Ethnicity.—Although most children in foster care are white, black children are over-represented in the foster care population. The following table indicates the racial composition of children who entered substitute care during FY 1986, who were in care at the end of FY 1986, and who left substitute care during FY 1986. As with age breakdowns, APWA's comparison of these data with comparable information from previous years does not indicate a

significant pattern of change from FY 1983 (the first year this information was collected through VCIS) and FY 1986.

Table 6.—RACE/ETHNICITY OF CHILDREN ENTERING, IN, AND LEAVING CARE, FY 1986

[in percentages]

Race/ethnicity	Entering	In care	Leaving
White	56.0	50.7	57.7
Black	25.9	34.9	26.1
Hispanic	9.4	8.2	8.3
Other	5.0	4.6	4.6
Unknown	3.7	1.6	3.3
Number of States reporting	33	42	33

Source: APWA, Apr. 1990.

The House Select Committee on Children, Youth and Families also looked at the issue of racial composition in its survey and estimated, based on its survey, that the share of minority children in foster care had increased from 41 percent in FY 1985 to 46 percent in 1988.

Disability/Health Status.—Based on reports from 29 States, APWA found that 20 percent of children in substitute care at the end of FY 1986 had one or more disabling conditions. This finding has been approximately the same since FY 1982, according to the VCIS results.

The National Black Child Development Institute did not specifically address the issue of disability but did determine that 75 percent of the black children in its 5-city study were reported as "healthy" or "having no health problems." The NBCDI also attempted to gather information on the children's mental health but determined that for 80 percent of the children under age 6, mental health assessments were either not conducted or were not included in the child's record. Mental health assessments were conducted and included in the records for 41 percent of the 6-to-12-year-olds, and for 56 percent of the children between 13 and 18 years of age. The NBCDI did not report the results of these assessments, however.

School assessments of children in the NBCDI study, to the extent that they were available, indicated that 7 percent of the total population (including children not yet of school age) were found to have an educational disability and 1 percent were mentally retarded. Of the total population of foster children included in the study, school assessments were not applicable for 41 percent (this group included children not yet of school age), and were not included in the child's record for another 16 percent of the total. Of the remainder of children, 20 percent were assessed by schools as average, 3 percent were assessed as above average, and 12 percent were considered below average.

Family Characteristics.—The NBCDI study attempted to gather information on the characteristics of biological families of the chil-

dren who were placed in foster care. These data must be read cautiously because they are based on a small sample and information on each factor was not necessarily included in all records examined by NBCDI. Thus, while these data cannot necessarily be used to generalize about the families of all black children in foster care, the information is nonetheless interesting and is among the only recent national information on biological families of foster children.

The NBCDI study found that mothers of black foster children in the five-city survey were, on average, 23 years old when their children were born and 29 years old when their children were placed in substitute care. Fathers of foster children had an average age of 28 when their children were born and an average age of 34 when their children were placed in care.

Information on the educational level of mothers of foster children was not available in 45 percent of cases. Of those for whom information was available, about 47 percent of mothers had attended some high school, and another 31 percent had high school or equivalency diplomas. About 10 percent of mothers had gone through 8th grade or less, and another 10 percent had attended some college or technical school. College graduates comprised 2 percent of the mothers.

A large number of parents or primary caregivers were reported as having health problems, according to the NBCDI research. Information was not available for 15 percent of the parents or primary caregivers. Moderate or major health problems were reported for 48 percent of parents or primary caregivers, another 6 percent had minor health problems, and 46 percent were reported as healthy. Of particular significance was the type of health problem or illness experienced by parents. Among primary caregivers with a health problem, substance abuse was reported as the problem in 78 percent of cases. Again, it should be remembered that this finding is based on a small sample in five cities.

Almost half—46 percent—of black foster children in the NBCDI study came from single-parent families. Another 12 percent came from families with both parents present. About 9 percent of children came from extended families with a parent present and other relatives, and an equal number lived in extended families with relatives but without a parent present. Ten percent of children came from "augmented" families with a parent present and other adults who were not relatives, and 2 percent were from augmented families with no parent present. About 5 percent of children were from blended or stepfamilies, and 6 percent of children in the NBCDI study group had been living in hospitals before placement in foster care.

Mothers were the head of household for 62 percent of the study children before they had been placed in foster care. In 13 percent of cases, fathers were the head of household, and grandparents were household heads in another 10 percent of cases. For the remainder, the head of household was another relative, a family friend, or a stepparent.

The majority of foster children in the NBCDI study came from households receiving public assistance. AFDC was the primary source of income for 65 percent of the cases, and earnings were the

primary source of income for 28 percent. Another 6 percent of households received their primary income from Social Security or Supplemental Security Income.

Finally, the NBCDI collected information on the average number of siblings of children in foster care. The children in the study group in the 5 cities had an average of 2.2 siblings, although these brothers and sisters did not necessarily live with the child or family at the time of placement.

Reasons for Placement in Substitute Care

For FY 1986, the VCIS data report reasons children were placed in substitute care in 21 States. Changes in the VCIS methodology for this data element make comparison with previous years difficult; however, it does not appear that the percentages in the following table for FY 1986 are dramatically different from earlier years in the 1980s. The majority of children—71.1 percent—were placed in substitute care either for their protection or because their parent was unable or unavailable to care for them.

Table 7.—REASONS CHILDREN ENTERED SUBSTITUTE CARE, FY 1986

[In percentages]

Protective service	53.6
Parent condition or absence	17.5
Status offense/delinquent	11.4
Relinquishment of parental rights	1.9
Handicap of child	1.5
Other ¹	8.1
Unknown	6.0

¹ As described by APWA, "other" includes a parent-child relationship problem, family interaction problem, a plan for adoption, subsidized adoption, deinstitutionalization, training/education, and unwed motherhood. Source: APWA, Apr. 1990.

The National Black Child Development Institute categorized reasons for placement differently in its study, but its overall finding was similar to that of APWA; the majority of children were placed in out-of-home care primarily for their own protection. Neglect was the cause in 41 percent of cases, and abuse was the cause in 26 percent of the cases. Another 8 percent of children had been abandoned, and "inability of parent" was cited in 5 percent of cases. In 17 percent of the cases, children were placed through a voluntary agreement between the parents and the placement agency.

The NBCDI attempted to obtain more detailed reasons for children entering substitute care. Parent-related or environmental reasons were reported in almost all cases studied by NBCDI, although these were not necessarily the *primary* cause of placement. Multiple causes were often reported for each case; therefore, the following percentages total to more than 100 percent.

The most frequently reported parent-related factor was drug abuse in the family, reported in 36 percent of cases, followed by alcoholism, reported in 20 percent of cases. These figures cannot necessarily be added to achieve a total for substance abuse, since drug abuse and alcoholism may both have been reported for the same case. Other parental factors included mental illness (reported in 14 percent of cases) and incarceration (reported in 11 percent of cases).

Environmental factors included inadequate housing (reported in 30 percent of cases), and homelessness or living in a shelter (reported in 11 percent). Again, these numbers should not be added because both factors may have been reported for the same case. Poverty was reported as an environmental factor contributing to a child's placement in 25 percent of the cases.

Child-related factors contributing to foster care placement were reported in roughly a third of the cases looked at by NBCDI in the five cities. Again, it should be remembered that these factors, like the parental and environmental factors described above, were not necessarily the *primary* cause for placement, but more likely were one of several factors resulting in the child's removal from home. When child-related causes were reported, the most frequently reported factor was emotional or behavioral problems of the child, cited in 62 percent of cases. The next most common factor was the child running away, reported in 24 percent of cases. In 12 percent of cases with child-related factors as categorized by NBCDI, the children were boarder babies in hospitals. Antisocial behavior on the part of the child was cited in 11 percent of cases with reported child-related factors.

Legal Status and Permanency Goals

The VCIS data for 33 States in FY 1986 report that parental rights had either been terminated or relinquished for 11.4 percent of children in substitute care during that year. Most of the children in this category were reported by States as legally free and available for adoption. For the remainder of children in care, parental rights had not been terminated or relinquished in most cases.

The following table indicates the permanency planning goals for substitute care children in FY 1986, according to reports from 33 States. As the table shows, family reunification was the permanency goal for slightly more than half the children in care.

Table 8.—PERMANENCY PLANNING GOALS FOR CHILDREN IN CARE, FY 1986

[In percentages]

Family reunification	52.3
Long-term foster care.....	15.6
Adoption.....	14.7
Independent living	6.7
Guardianship.....	4.1
Care and protection in substitute care.....	3.3

Table 8.—PERMANENCY PLANNING GOALS FOR CHILDREN IN CARE, FY 1986—Continued

[In percentages]

Unknown.....	3.3
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Source: APWA, Apr. 1990.

Comparing the data in table 8 with earlier years shows a significant increase in family reunification as a permanency goal. Family reunification was the goal for 39.2 percent of children in FY 1982, according to VCIS data, compared with 52.3 percent of substitute care children in FY 1986, as indicated in the above table. Long-term foster care, adoption, and independent living all decreased as permanency goals, from FY 1982 to FY 1986.

The NBCDI study also looked at permanency plans for black children in its study group and found that reunification with parents (usually the mother) was the most prevalent permanency goal (42 percent of the children in substitute care), followed by other relative placement (17 percent). Adoption was the permanency goal for another 17 percent of children in care in the NBCDI study; long-term foster care was the goal for 8 percent; and independent living was the permanency goal for 9 percent of children.

For those children still in care for whom family reunification was a goal, the NBCDI study attempted to determine what barriers to reunification existed. Multiple barriers were identified; therefore, the following percentages total to over 100 percent because more than one barrier was identified in many cases. The leading reported barrier to reunification was lack of cooperation from the parent (46 percent), followed by inadequate housing (34 percent). Drug addiction of the parent was identified in 30 percent of cases, and a lack of parenting skills was identified in 26 percent of cases. Lack of finances was cited in 22 percent of cases, and parents' whereabouts were unknown in 20 percent. Mental instability of parents was reported in 15 percent of cases; legal barriers were cited in 11 percent; and alcoholism of parents was reported in 10 percent of cases.

Living Arrangements of Children in Substitute Care

The VCIS data for FY 1986 contain information on the living arrangements of substitute care children in 39 States. The following table shows that the majority of substitute care children were living in foster family homes, although a significant percentage were living in either group homes, residential treatment centers, or emergency shelters. Changes in methodology make comparison with previous years difficult. APWA tentatively reported a small decrease in the percentage of foster family homes from FY 1983 to FY 1985; however, data for this category are not directly comparable with FY 1986.

Table 9.—LIVING ARRANGEMENTS OF CHILDREN IN CARE, FY 1986

[In percentages]

Foster family homes	68.1
Group homes/residential treatment/emergency shelters	20.4
Non-finalized adoptions	3.2
Independent living	1.1
Other	5.7
Unknown	1.5

Source: APWA, Apr. 1990.

While the NBCDI study did not collect data on the living arrangements of black children in substitute care, the issue of relative caretakers was explored. Relatives were considered as possible placements for children in 73 percent of cases reviewed by NBCDI in the 5 cities. Of those relatives considered as resources, 57 percent actually provided some assistance, and of these, 68 percent provided foster homes for related children. When viewed as a percentage of *all* substitute care children in the NBCDI study, relatives served as foster parents for somewhat less than 30 percent of children. In 13 percent of cases where relatives provided assistance, they served as legal guardians but not necessarily as foster parents. Relatives most commonly providing assistance to substitute care children were grandparents, who accounted for 53 percent of the relatives providing aid.

Number and Duration of Placements While in Foster Care

The VCIS collected data on the number of placements experienced by children in care at the end of FY 1986, during the preceding 3 years. As the table below shows, more than half the children in care at the end of 1986 had experienced more than one placement, according to data from 22 States.

Table 10.—NUMBER OF PLACEMENTS DURING PREVIOUS THREE YEARS, FOR CHILDREN IN CARE AT END OF FY 1986 ¹

[In percentages]

1 placement	45.5
2 placements	22.6
3-5 placements	22.1
6 or more placements	8.4
Unknown	1.4

¹ Includes current placement.

Source: APWA, Apr. 1990.

A comparison of these data with previous years, while not strictly comparable due to differences in the number of States reporting, suggests a trend toward more multiple placements between FY 1982 and FY 1986. Specifically, a total of 43.1 percent of children in care at the end of FY 1982 had been in more than one placement, compared with 53.1 percent at the end of FY 1986.

The NBCDI study calculated the average number of placements experienced by black children in its study group, including both children still in care at the end of the study period and children who had been discharged from substitute care during the study period. The average number of placements reported by NBCDI was 2.2 per child. However, in two of the study cities—Miami and Seattle—children are usually placed in a temporary setting before being transferred to a more permanent foster home, potentially inflating the average number of placements reported.

Information on the amount of continuous time spent in substitute care was collected through the VCIS for two groups of children: those who had left substitute care during FY 1986, and those who remained in substitute care at the end of FY 1986. The following table indicates the length of time in continuous care experienced by these two groups.

Table 11.—LENGTH OF TIME IN CONTINUOUS CARE, FY 1986

[In percentages]

Time span	Children leaving care	Children in care
0-6 months	41.8	23.3
6-12 months	14.2	15.6
1-2 years	16.9	21.1
2-3 years	8.5	12.7
3-5 years	8.1	12.3
5 years or more	7.7	13.9
Unknown	2.8	1.1
Median (months)	9.5	18
Number of States	25	32

Source: APWA, Apr. 1990.

As the table indicates, children leaving care during FY 1986 were more likely to have been in care 1 year or less (56 percent), while children remaining in care at the end of the year were more likely to have been in care 1 year or more (60 percent).

Data on length of stay for children leaving care during the fiscal year were not collected prior to FY 1985, so a comparison of this factor with earlier years is not available. However, a comparison with FY 1982 data on length of stay for children remaining in care at the end of the year indicates that, while the median length of stay has remained about 18 months, the percentage of children in care for 5 or more years has decreased from 18.2 percent to 13.9 percent, and the percentage of children in care 6 months or less

has increased slightly from 21.7 percent to 23.3 percent. FY 1982 data were reported for 26 States.

The NBCDI study also examined the length of time black children spent in substitute care and found that children in its study group spent an average of 13 months in care, although this average fluctuated widely from 7 months in Houston to 26 months in Miami. This variation may be due to the manner in which the information was collected. The NBCDI study also explored the issue of caseworker turnover, and found that children in its study group had an average of 2.5 caseworkers during their tenure in foster care.

Outcomes for Children Leaving Care

Data are available from the VCIS from 33 States on the outcomes for children who left care during FY 1986. The following table indicates that the majority of children were reunified with their families.

Table 12.—OUTCOMES FOR CHILDREN WHO LEFT CARE, FY 1986

[In percentages]

Reunified	58.8
Adopted	7.3
Reached age of majority/emancipated	7.9
Other ¹	19.7
Unknown	6.3

¹ "Other" includes such reasons as running away, marriage, incarceration, death, discharge to another agency, or legal guardianship established.

Source: APWA, Apr. 1990.

A comparison of these data with earlier years indicates that family reunification significantly increased from 49.7 percent in FY 1982 to 58.8 percent in FY 1986. However, it should be noted that the FY 1982 data were based on only 17 States. Further, the FY 1986 family reunification rate actually represents a decline in this outcome from the previous year. According to reports from 30 States, family reunification was achieved for 65.3 percent of children who left care in FY 1985.

When evaluating these data on outcomes for children leaving care, it should be remembered that a portion of these children will likely return to substitute care at some point. As noted earlier in this Part, 19 percent of children entering care in FY 1986 were re-entrants, according to reports from 22 States.

Of those black children in the NBCDI study who were discharged during the study period, 55 percent were reunified with their families and another 23 percent were placed with relatives. Legal guardianship was established for 8 percent of the children, and 7 percent were adopted. Independent living for older children was es-

tablished for 4 percent, and in 2 percent of cases, children left without authorization.

State Profiles

The following sections provide brief sketches of foster care programs in four States—New York, Texas, Illinois, and California—based on the most recent information readily obtainable. Information provided for each State is not necessarily comparable from one State to the other. The most recent years for which information was available varied among States, and terminology varied significantly. Further, the categories of data which were collected and reported by States also varied.

Thus, while it is difficult to summarize common information from these State sections, the information is nonetheless useful in describing individual State programs, and in highlighting some differences among them. Perhaps most significantly, the following sections illustrate the difficulties of collecting uniform data from States about their foster care activities.

NEW YORK

Data are available from the State of New York on its foster care program in calendar year 1988, with comparison data for some elements for 1984 through 1987. The following tables are all derived from data contained in *1988 Monitoring and Analysis Profiles with Selected Trend Data: 1984-1988*, prepared by the New York State Department of Social Services and published in July 1989.

The following table indicates the numbers of children who entered and left care during 1988, and who were still in care at the end of 1988. Comparing these figures with comparable numbers for 1984 indicates that the number of children entering care has increased significantly, from 14,933 to 22,065. Likewise, the number of children in care at the end of the year has climbed from 27,102 in 1984 to 43,678 in 1988. At the same time, the number of children leaving care has dropped, from 15,349 in 1984 to 13,674 in 1988.

Table 13.—NUMBER OF CHILDREN IN CARE, NEW YORK STATE, 1988

Point in time	Number of children
Entered during 1988	22,065
In care, end of 1988	¹ 43,678
Left during 1988	13,674

¹ Interim data for 1989 indicates the in-care population has increased to more than 60,000, according to Larry Brown, Performance Monitoring and Analysis Unit, New York Department of Social Services.

Almost 10 percent of the children entering substitute care in New York State in 1988 were re-entrants. Among these children, almost 71 percent had been discharged from care less than 1 year before re-entering.

As the following two tables indicate, very young children in New York entered substitute care at a dramatically faster rate than they left during 1988. This pattern was also demonstrated in the

national VCIS data for FY 1986. Similarly, black children in New York State entered care at a somewhat faster rate than they left.

Table 14.—AGES OF CHILDREN IN CARE, NEW YORK STATE, 1988

[In percentages]

Age range	Entering	In care	Left care
Less than 2 years.....	29.1	15.8	12.0
2-5 years	20.5	24.6	18.5
6-9 years	16.1	19.2	14.8
10-13 years	16.3	16.7	15.4
14-17 years	17.6	18.1	27.9
17 years and older	.3	5.6	11.3

Table 15.—RACE/ETHNICITY OF CHILDREN IN CARE, NEW YORK STATE, 1988

[In percentages]

Race/ethnicity	Entering	In care	Left care
Black.....	43.3	48.5	36.7
White	20.2	17.4	31.4
Hispanic	13.0	14.6	13.8
Other.....	3.3	4.1	4.5
Unknown	20.1	15.4	13.6

The following table shows the length of time spent in care in 1988, both for children who left care by the end of the year and children who remained in care at the end of 1988. A more detailed breakdown of these data by age indicates that 73.3 percent of children who were discharged from care at age 17 or older had been in foster care at least 3 years. Slightly more than half of every other age group who were discharged in 1988 were in substitute care for less than 1 year. The exception was children under age 2, of whom 85.6 percent were discharged after less than a year in substitute care.

Table 16.—LENGTH OF TIME IN CARE, NEW YORK STATE, 1988

[In percentages]

Time Span	Children leaving care	Children in care
Less than 1 year	51.4	36.9
1-2 years	17.5	28.0
2-3 years	9.4	13.3
3 years or more	21.8	21.8

The following table shows permanency planning goals for children in care in 1988, broken down by age. Reunification with parent or guardian was the goal for most children in all age groups, except those age 17 and older, for whom independent living was the goal in two-thirds of cases.

Table 17.—PERMANENCY GOALS, BY AGE, NEW YORK STATE, 1988

[In percentages]

Age	Parent/guardian	Adoption	Independent living	Adult custodian	Other
Under 2 years....	82.7	9.3	¹ 3.8	.0	4.1
2-5 years.....	69.2	21.9	¹ 5.2	.0	3.7
6-9 years.....	67.8	22.0	¹ 5.9	.3	4.0
10-13 years.....	67.3	20.4	6.8	1.0	4.6
14-17 years.....	50.5	5.8	34.2	2.6	6.8
17 years or more.....	7.1	1.3	66.7	10.3	14.6
All ages....	63.9	15.7	13.9	1.3	5.1

¹ Generally, New York does not designate independent living as a permanency goal for children under 13. State personnel note that exceptions might include young members of a sibling group, or especially hard-to-place children that are expected eventually to be emancipated from foster care.

Actual outcomes for children discharged in 1988 are shown in table 18, below. As the table indicates, the majority of children—70.5 percent—were discharged to home. However, it should be remembered that some portion of these children will likely return to foster care at a later date. As mentioned earlier in this section, about 10 percent of children entering care in FY 1988 in New York State were re-entrants.

Table 18.—OUTCOMES FOR CHILDREN WHO LEFT CARE, NEW YORK STATE, 1988

[In percentages]

Home	70.5
Adoption	10.6
Independent living	9.3
Custody of another State agency	3.1
Other	6.5

TEXAS

The most recent data available on foster care in Texas covers the State FY 1987, from September 1986 through August 1987. Comparative information is available for certain data elements from previous years. The following tables are derived from information

contained in *Protective Services for Families and Children, Annual Report, Fiscal Year 1987*, published by the Texas Department of Human Services.

The following table indicates the total number of children for whom the State Department of Human Services (DHS) had legal responsibility at the end of FY 1985 through FY 1987, and the number of children who were actually in foster care at the end of those years. The number of children in foster care is a subset of the number of children under DHS legal responsibility. The larger figure includes children who have been discharged from foster care but are still under the legal responsibility of the State, as well as children under court-ordered State supervision but who have not actually been placed in foster care.

About 60 percent of the total number of children under State responsibility were in foster care in 1987; almost 16 percent were in their own homes, another 14 percent lived with relatives, and the remainder were in other living arrangements. Parental rights had been terminated for about 21 percent of the children in State responsibility.

A comparison with earlier years indicates that the number of children in foster care in Texas dropped substantially from 1978, when 7,480 children were in care until 1983, when the figure reached 5,016. The number of children in foster care fluctuated around 5,000 or slightly more between 1983 and 1987. Information was not yet available for more recent years.

Table 19.—NUMBERS OF CHILDREN IN STATE LEGAL RESPONSIBILITY AND IN FOSTER CARE, TEXAS, FY 1985–1987

Fiscal year	Children in state responsibility	Children in foster care
1985.....	8,813	5,193
1986.....	8,789	5,132
1987.....	8,462	5,002

The following two tables show the age and racial/ethnic breakdown of children in foster care in Texas in 1983 and 1987. These tables describe only children in foster care, not the larger group of children for whom the State had legal responsibility. In addition to the demographic data in the following two tables, Texas also reports that 47.2 percent of children in foster care in 1983 were male, compared with 51.2 percent in 1987.

Table 20.—AGES OF CHILDREN IN FOSTER CARE, TEXAS, 1983 AND 1987

[In percentages]

Age	1983	1987
0-2 years	17.5	16.0
3-5 years	16.9	17.7
6-9 years	17.5	20.2
10-13 years	19.1	18.4
14-17 years	27.1	26.8
18 years and older	1.9	.9

Table 21.—RACE/ETHNICITY OF CHILDREN IN FOSTER CARE, TEXAS, 1983 AND 1987

[In percentages]

Race/ethnicity	1983	1987
White	50.1	46.4
Black.....	25.5	27.9
Hispanic	21.1	23.0
Oriental	.3	.5
Native American.....	.6	.3
Other.....	2.5	1.9

The following table indicates the living arrangements of foster care children in Texas in 1987. While data on the average length of stay in foster care were not obtained, Texas reported that 42.5 percent of children in foster care in 1987 had been in care for more than 2 years.

Table 22.—LIVING ARRANGEMENTS OF CHILDREN IN FOSTER CARE, TEXAS, 1987

[In percentages]

Foster family homes	66.3
Foster group homes.....	3.8
Emergency shelters	4.1
Private child-care facilities	6.1
Public institutions for mentally retarded/emotionally disturbed.....	1.9
Private institutions for mentally retarded.....	2.4
Residential treatment centers/ therapeutic camps.....	14.7
Other	.7

The following table, showing permanency planning goals, is based on data for all children in the legal responsibility of the State, not only those in foster care. Information on actual outcomes was not obtained.

Table 23.—PERMANENCY GOALS, ALL CHILDREN IN STATE RESPONSIBILITY, TEXAS, 1987
[In percentages]

Return home/end conservatorship	55.7
Adoption	19.5
Permanent foster care	5.4
Transfer conservatorship	5.2
Permanent custodial care	2.3
Emancipation	1.9
Other	4.7
Pending	5.3

Information was also obtained from Texas on the number of foster homes and their licensed capacity. The number of foster family and foster group homes remained stable from FY 1984 through FY 1987 at about 2,580 homes, with a licensed capacity of approximately 7,700. However, there was some turnover among foster homes. In 1985 and 1986, 25 percent of active foster homes dropped out of the program, and in 1987, 23 percent of active foster homes dropped out, according to reports from Texas.

ILLINOIS

The following information from Illinois is derived from the *Monthly Management Report*, January 1990, and unpublished statistics as of March 31, 1990, made available from the Office of Planning, Monitoring and Evaluation, Department of Children and Family Services. Very little information was obtained on children actually in foster care; most of the data obtained from Illinois describe *all* children in State responsibility. Almost a fourth of these children are actually living with their parents. Comparative data with earlier periods were not obtained.

Illinois reports that 28,756 children were under the responsibility of the State as of the end of March 1990. As of the end of January 1990, Illinois reports that 19,655 children were living in substitute care. Most of the information in the following tables describe the larger group of children under State responsibility. In addition to the age and racial characteristics of children described in tables 24 and 25, Illinois reports that 51.3 percent of children under State responsibility as of March 1990 were male.

Table 24.—AGE OF CHILDREN UNDER STATE RESPONSIBILITY, ILLINOIS, AS OF MARCH 1990

[In percentages]

Age	When case was opened	Current
0-2 years	29.4	13.6
3-5 years	19.5	15.3
6-9 years	22.5	21.0
10-13 years	18.1	19.6
14-17 years	10.4	21.7
18 years and older	0	9.0

Table 25.—RACE/ETHNICITY OF CHILDREN UNDER STATE RESPONSIBILITY, ILLINOIS, AS OF MARCH 1990

[In percentages]

Black.....	59.0
White	34.0
Hispanic	4.6
Oriental	1.0
Native American	.3
Other.....	.7
Unknown.....	.4

Illinois also attempts to obtain data on religion and handicapping condition of children under State responsibility, although these data are very incomplete. Religion was unknown for 52 percent of children, as of March 1990. Protestant was the reported religion for 28.1 percent of children, and 6 percent were Catholics. Almost 2 percent reported no religion, and a variety of other religions accounted for the remainder.

Information on handicapping conditions was missing for 93 percent of children under State responsibility, as of March 1990. Behavior disorders were reported for 1.7 percent of children, multiple handicaps were reported for another 1.7 percent, and 1.1 were reported as having mental impairment. Slightly less than 1 percent were reported as being physically or health impaired, and 1.3 percent were reported with either educational handicaps or special learning disabilities.

For slightly more than two-thirds of the children under State responsibility, neglect or abuse was the reason for involvement on the part of the State. Neglect accounted for 43.8 percent of cases, abuse for 22.2 percent, and sexual abuse was the cause in another 1.3 percent of cases.

The following table indicates the current living arrangement for children under State responsibility, as of March 1990. Terminology is that used by the State; readers should remember terminology varies among States.

Table 26.—LIVING ARRANGEMENTS, CHILDREN IN STATE RESPONSIBILITY, ILLINOIS, MARCH 1990

[In percentages]

Foster care.....	32.8
Home of relative.....	26.7
Home of parent.....	23.5
Institution.....	8.2
Independence.....	2.3
Runaway.....	1.7
Group home.....	1.1
Other.....	2.7

Illinois reported that 54.7 percent of the children had been in their current living arrangement for less than 1 year.

The following table indicates length of time in substitute care only for those children reported as being in substitute care as of January 1990. As noted earlier, the total number of these children was 19,655.

Table 27.—LENGTH OF TIME IN SUBSTITUTE CARE, ILLINOIS, AS OF JANUARY 1990

[in percentages]

0-2 years.....	52.7
2-5 years.....	31.4
5 years or more.....	15.9

Finally, table 28 indicates permanency planning goals for all children under State responsibility as of the end of March 1990.

Table 28.—PERMANENCY GOALS, CHILDREN UNDER STATE RESPONSIBILITY, ILLINOIS, AS OF MARCH 1990

[In percentages]

Return home.....	34.3
Adoption assistance.....	16.1

Table 28.—PERMANENCY GOALS, CHILDREN UNDER STATE RESPONSIBILITY, ILLINOIS, AS OF MARCH 1990—Continued

[In percentages]

Long-term foster family care	11.0
Independence.....	8.8
Long-term relative placement	7.8
Remain home	5.5
Adoption.....	4.1
Substitute care pending termination of parental rights	2.7
Long-term care.....	1.2
Data missing	8.4

CALIFORNIA

Information in the following section on foster care in California is based on the findings of a recent study of out-of-home care sponsored by the County Welfare Directors Association of California, the Chief Probation Officers Association of California, and the California Mental Health Directors Association. The report, *Ten Reasons to Invest in the Families of California*, contains recommendations for policymakers, but also contains a limited amount of data on California's foster care program in FY 1989, including some comparative data from earlier years. Information on foster care contained in this report was obtained from the State Department of Social Services.

Many of the tables in this section total to less than 100 percent because of the way data are displayed in the California report. Invalid or "other" data were not included in the published report for many of the data elements.

The number of children in foster care in California almost doubled in 5 years, according to the study, which reported that 37,000 children were in foster care in FY 1985 and that 67,100 children were in foster care at the end of FY 1989.

Table 29, below, shows the ages of children in foster care and indicates a substantial increase in the proportion of children under the age of 4 who are in care, from FY 1985 to FY 1989. Table 30 follows with a further breakdown of the proportions of very young children in foster care, indicating a significant increase in the percentage of babies under the age of 1 in foster care.

Table 29.—AGES OF CHILDREN IN FOSTER CARE, CALIFORNIA, FY 1985 AND FY 1989

[In percentages]

Age	FY 1985	FY 1989
Under 4 years	19.2	27.9
4-9 years	25.7	28.3
9-13 years	20.0	20.1
13-18 years	31.9	22.1

Table 30.—VERY YOUNG CHILDREN IN FOSTER CARE, CALIFORNIA, FY 1985 AND FY 1989

[In percentages]

Age	FY 1985	FY 1989
Under 1 year	18.4	23.3
1-2 years	26.0	26.5
2-3 years	27.9	25.4
3-4 years	27.7	24.7

The following table shows the percentages of children in different types of substitute care placements. The table indicates a decline in the proportion of children who are placed in foster family homes, but a dramatic increase in the rate of placement with relatives and/or guardians.

Table 31.—TYPES OF SUBSTITUTE CARE PLACEMENTS, CALIFORNIA, FY 1985 AND FY 1989

[In percentages]

Placement type	FY 1985	FY 1989
Foster family home.....	57.3	42.9
Relatives/guardian	27.0	45.0
Group home.....	12.2	10.1

Of placements with relatives/guardians in FY 1989, 84.3 percent were with relatives who were not legal guardians. Only 4.3 percent were with relatives who were guardians; 11.5 percent were with nonrelative guardians.

The following table shows types of placements specifically for very young children. The pattern of decreasing foster family placements and increasing placements with relative/guardians also appears for young children.

Table 32.—TYPES OF PLACEMENTS, CHILDREN UNDER AGE 4, CALIFORNIA, FY 1985 AND FY 1989

[In percentages]

Placement type	FY 1985	FY 1989
Foster family home.....	68.6	48.1
Relatives/guardian	25.6	46.3
Group home.....	3.3	4.5

The following table shows reasons for removal from home for children under age 4. Parental neglect, absence or incapacity were the overwhelming reasons for the removal of young children from their homes. Neglect, in particular, has increased as a cause since FY 1985.

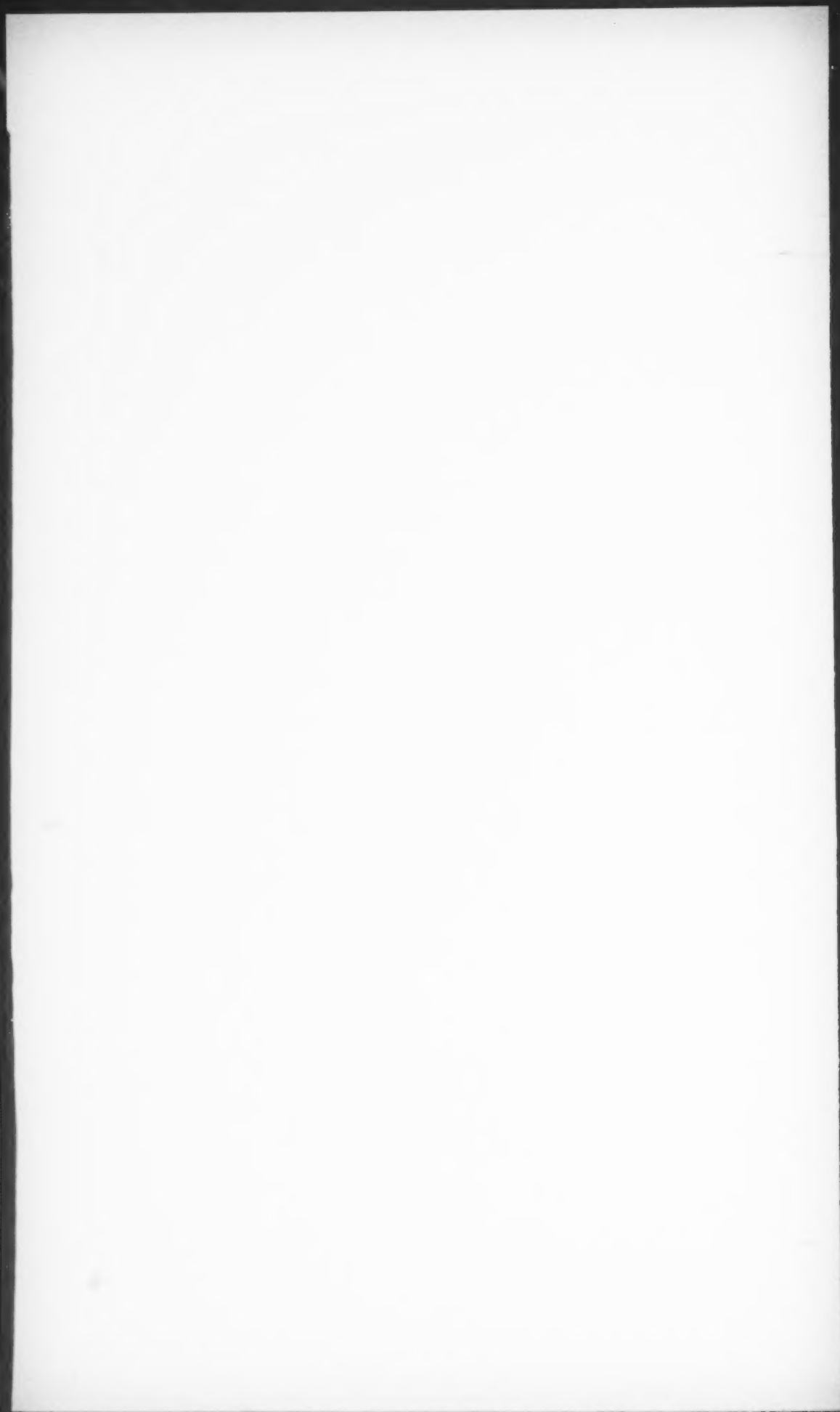
Table 33.—REASONS FOR REMOVAL FROM HOME, CHILDREN UNDER AGE 4, CALIFORNIA, FY 1985 AND FY 1989

[In percentages]

Reason for removal	FY 1985	FY 1989
Neglect.....	44.3	54.0
Absence/incapacity	22.8	25.3
Physical abuse.....	18.1	12.6
Sexual abuse.....	5.2	3.2

The study reported that, of children entering foster care in January 1988, 40 percent were still in care after 18 months, compared with 28 percent of the January 1985 entrants. Of children entering care in 1988 who were removed because of parental neglect, 55 percent remained in care after 18 months, compared with 42 percent of children removed from home due to neglect in 1985. Of children removed because of physical abuse who entered foster care in 1988, 42 percent remained in care after 18 months, compared with 25 percent of children removed in 1985 because of physical abuse. Children removed from home because of parental neglect were the most likely of all groups to remain in care longer than 18 months.

Finally, the California study obtained information on the number of licensed foster family homes, and reported that there were 13,693 licensed homes in FY 1984, which increased to 18,019 in FY 1989.



PART III. THE TITLE IV-E ADOPTION ASSISTANCE PROGRAM

Introduction

Adoption is a legal procedure in which a person or a couple take total responsibility for a child who is not their offspring.¹ Adoption severs all legal ties between the adoptee and his or her birth parents. Generally, adoption in the United States is overseen by State laws and is under the jurisdiction of State courts.² On the Federal level, financial assistance is provided to support the adoption of, and provide specific adoption and related services to, certain groups of children. Much of the Federal, State or local money involved in adoption is in the form of adoption subsidies—financial assistance aimed at supporting a child's adoption—to adoptive parents for adopted children.

This Part describes the largest Federal program specifically aimed at adoption, the Social Security Act's title IV-E adoption assistance program, which began in 1980 under P.L. 96-272.³ This program was authorized for several reasons, including testimony that certain foster children with special needs who were or could be freed for adoption were sometimes not adopted because of the loss of monthly assistance to the foster parents on behalf of the foster care child, or loss of medicaid eligibility for the child if the child was adopted.

The adoption assistance program provides federally subsidized payments to parents who adopt special needs children who are eligible for aid to families with dependent children (AFDC) or supplemental security income (SSI) benefits. States are given flexibility in administering the adoption assistance program; therefore, several State programs are also described in detail in this Part.

Program Description

The title IV-E adoption assistance program is an open-ended entitlement program required of States that participate in AFDC (all States participate). The program is permanently authorized under title IV-E and allows States to develop adoption assistance *agreements* with parents who adopt eligible children with special needs. Federal matching funds are provided to States that, under these agreements, provide adoption assistance *payments* to parents who

¹ The child may be unrelated to either adoptive parent, may be the child of one member of the couple, or may be related in some other way to the adoptive parents.

² For information on State adoption laws see: *The Adoption Factbook: United States Data, Issues, Regulations and Resources*. National Committee for Adoption, Washington, D.C., June 1989.

³ Other Federal programs that fund the provision of adoption and related services include the social services block grant (title XX), the title IV-B child welfare services program, and the adoption opportunities program (P.L. 95-266).

adopt AFDC or SSI eligible children with special needs. In addition, the program authorizes Federal matching funds for States that reimburse the nonrecurring adoption expenses of adoptive parents of special needs children (regardless of AFDC or SSI eligibility).

DEFINITION OF SPECIAL NEEDS

A special needs child is defined in the statute as a child with respect to whom the State determines there is a specific condition or situation, such as age, membership in a minority or sibling group, or a mental, emotional, or physical handicap, which prevents placement without special assistance. Before a child can be considered to be a child with special needs, the State must determine that the child cannot or should not be returned to the biological family, and that reasonable efforts have been made to place the child without providing adoption assistance. States have considerable latitude in defining special needs eligibility criteria and individually determining whether a child is eligible. For example, some States add religion or not being able to place the child without subsidy to the definition of special needs.

ADOPTION ASSISTANCE AGREEMENTS AND PAYMENTS

An adoption assistance agreement is a written agreement between the adoptive parents, the State IV-E agency, and other relevant agencies (such as a private adoption agency) specifying the nature and amount of assistance to be given. Under the adoption assistance agreement, States may make monthly adoption assistance payments for AFDC and SSI eligible children with special needs who are adopted.

Adoption assistance payments are based on the circumstances of the adopting parents and the needs of the child. No means test can be used to determine eligibility of parents for the program; however, States do use means tests to determine the amount of the payment. Payments may be adjusted periodically if circumstances change, with the concurrence of the adopting parents. However, the payments may not exceed the amount the family might have received on behalf of the child under AFDC foster care for foster family care. Adoption assistance payments may continue until the child is age 18, or, at State option, age 21 if the child is mentally or physically handicapped. In addition, payments are discontinued if the State determines that the parents are no longer legally responsible for the support of the child. Federally subsidized payments may start as soon as an agreement is signed and the child has been placed in an adoptive home. Parents who have been receiving adoption assistance payments must keep the State or local agency informed of circumstances that would make them ineligible for payments, or eligible for payments in a different amount.

The Federal matching rate for the adoption assistance payments is based on each State's medicaid matching rate (which ranges from 50 to 83 percent depending on State per capita income, and averages about 53 percent nationally). States may also claim open-ended Federal matching for the costs of administering the program (50 percent) and for training both staff and adoptive parents (75 percent).

Not all families of adopted IV-E eligible children with special needs actually receive adoption maintenance payments. (The adoptive parents' circumstances may be such that an adoption subsidy is not needed or wanted.) Adopted AFDC or SSI eligible children with special needs are also eligible for medicaid if an adoption assistance agreement is in effect, whether or not adoption assistance payments are being made. Therefore, there are some IV-E eligible children with special needs for whom adoption maintenance payments are not made but who are eligible for medicaid.⁴

The structure of adoption subsidy programs varies across States. Some States offer basic maintenance payments and also allow additional payments for certain activities (such as family counseling) or groups of children (such as children with severe handicaps). Other States offer one level of payment to everyone with no special allowances. Some States allow parents to request changes in payment levels on a regular basis if circumstances change for a child, and others allow very little change once the adoption agreement is signed. Some States start payments as soon as placement is made, and others not until the adoption is finalized. Also, payments may not start immediately upon adoption finalization but may be written into agreements to start at a later date if it is thought that the child's circumstances will warrant payments as the child gets older.

Not all children who receive adoption subsidies from States are eligible for Federal IV-E funds. The American Public Welfare Association (APWA) estimates that at the end of 1986 (the latest year for which data are available), approximately 49 percent or 30,000 of the 61,000 children whose families received adoption subsidies were IV-E eligible.⁵ The non-IV-E children's adoption subsidies are paid solely by the State in which their adoption agreement was signed. States differ in whether comparable IV-E children and non-IV-E children receive similar adoption subsidy amounts.

NONRECURRING ADOPTION COSTS

The adoption assistance program also authorizes Federal matching funds for States that pay the one-time adoption expenses of parents of special needs children (regardless of AFDC or SSI eligibility). To qualify, the children must be covered by an adoption assistance agreement. Effective January 1, 1987, parents may receive reimbursement of up to \$2,000 for these nonrecurring adoption expenses under the adoption assistance program, and States may claim 50 percent Federal matching for these payments. Qualified adoption expenses are defined as reasonable and necessary adoption fees, court costs, attorney fees, and other expenses which are directly related to the legal adoption of a child with special needs. States vary in the maximum amount they allow parents to receive under this provision, and not all States currently provide this reim-

⁴ States also have the option under the medicaid program to provide medicaid coverage for other special needs children (those not eligible for AFDC or SSI) who are adopted if they have been identified as a special category of medically needy children under a State's medicaid program. Pursuant to the 1985 budget reconciliation legislation, effective Oct. 1, 1986, a child for whom an adoption assistance agreement is in effect is eligible for medicaid from the State in which the child resides regardless of whether the State is the one with which the adoptive parents have an adoption assistance agreement.

⁵ These data are based on reports by 33 States.

bursement. (See table 1 for State-by-State data on maximum reimbursement rates.) Regulations for the program were not published until 1988. Prior to January 1987, up to \$1,500 of nonrecurring costs of adopting a child with special needs could be claimed as a tax deduction. The 1986 tax reform legislation repealed the adoption expense deduction.

Table 1.—REIMBURSEMENT FOR NONRECURRING ADOPTION COSTS

State	Maximum rate	Average paid (if known)
Alabama	\$1,000	.....
Alaska	2,000	\$1,200
Arizona	² ³ 2,000	.....
Arkansas	1,500	.....
California	400	.....
Colorado	800	.....
Connecticut	750	.....
Delaware	³ 2,000	.....
District of Columbia	³ 2,000	.....
Florida	1,000	.....
Georgia	700	.....
Hawaii	2,000	.....
Idaho	(¹)	.....
Illinois	1,500	1,000
Indiana	1,500	850
Iowa	(¹)	500
Kansas	2,000	.....
Kentucky	1,000	500
Louisiana	350	320
Maine	2,000	.....
Maryland	³ 2,000	.....
Massachusetts	(¹)	.....
Michigan	(¹)	.....
Minnesota	2,000	.....
Mississippi	1,000	.....
Missouri	³ 2,000	.....
Montana	² ³ 2,000	.....
Nebraska	2,000	.....
Nevada	250	.....
New Hampshire	2,000	.....
New Jersey	(¹)	.....
New Mexico	2,000	.....

Table 1.—REIMBURSEMENT FOR NONRECURRING ADOPTION COSTS—Continued

State	Maximum rate	Average paid (if known)
New York	2,000	500
North Carolina	(¹)	.....
North Dakota.....	(¹)	300
Ohio	2,000	.....
Oklahoma	2,000	.....
Oregon	2,000	1,300
Pennsylvania	2,000	.....
Rhode Island.....	(¹)	.....
South Carolina.....	1,500	750
South Dakota	1,500	650
Tennessee.....	2,000	700
Texas.....	1,500	.....
Utah.....	2,000	.....
Vermont	2,000	.....
Virginia.....	2,000	.....
Washington	1,500	.....
West Virginia.....	(¹)	.....
Wisconsin.....	2,000	500
Wyoming.....	(²)	.....
Average.....	1,604	698

¹ State has not implemented the reimbursement program.

² Legislation is necessary to authorize reimbursement of adoptive parents.

³ Amount indicated is the proposed maximum reimbursement; state has not implemented the program to date.

Source: American Public Welfare Association (APWA), Association of Administrators of the Interstate Compact on Adoption and Medical Assistance, Inc.

National Data on Children in Adoptive Care in the Child Welfare System

NUMBER OF CHILDREN PARTICIPATING IN THE ADOPTION ASSISTANCE PROGRAM AND FEDERAL EXPENDITURES

The number of children on whose behalf monthly adoption assistance payments are made and the Federal expenditures for these payments have increased significantly since the program began. In FY 1981, only 6 States participated in the program, with payments being made for an average of 165 children per month. In FY 1990, 50 States plus the District of Columbia will participate, and will serve an estimated average monthly number of 46,444 children.⁶ (See table 2).

⁶ Data on the Federal expenditures, State claims, and average number of children associated with the adoption assistance program are provided by the U.S. Department of Health and Human Services (HHS).

Table 2.—ADOPTION ASSISTANCE: STATE CLAIMS, FISCAL YEARS 1987-90, AND ESTIMATED AVERAGE NUMBER OF CHILDREN RECEIVING ADOPTION ASSISTANCE, FISCAL YEAR 1990 ¹

State	Fiscal year—				1990 estimated average monthly number of children
	1987 claims	1988 claims	1989 claims (estimate)	1990 claims (estimate)	
Alabama	199	222	259	303	184
Alaska	109	57	67	78	35
Arizona	606	742	867	1,013	332
Arkansas	314	411	480	561	191
California	9,507	11,979	13,994	16,355	3,993
Colorado	433	424	495	579	317
Connecticut	571	834	974	1,138	313
Delaware	71	155	181	212	99
District of Columbia	716	764	893	1,044	379
Florida	2,731	3,494	4,082	4,771	1,469
Georgia	217	635	742	867	458
Hawaii	17	28	33	39	25
Idaho	85	100	117	137	96
Illinois	2,380	3,325	3,884	4,539	2,100
Indiana	587	897	1,048	1,225	719
Iowa	268	372	435	508	390
Kansas	224	359	419	490	391
Kentucky	583	797	931	1,088	479
Louisiana	697	719	840	982	608
Maine	425	573	669	782	264
Maryland	540	786	918	1,073	577
Massachusetts	863	942	1,100	1,286	453
Michigan	7,507	9,361	10,936	12,781	4,436
Minnesota	669	791	924	1,080	411
Mississippi	322	380	444	519	319
Missouri	1,070	1,711	1,999	2,336	1,100
Montana	92	130	152	178	85
Nebraska	359	442	516	603	346
Nevada	15	59	69	81	38
New Hampshire	79	173	202	236	236
New Jersey	3,549	3,876	4,528	5,292	1,574

[Dollars in thousands]

Table 2.—ADOPTION ASSISTANCE: STATE CLAIMS, FISCAL YEARS 1987-90, AND ESTIMATED AVERAGE NUMBER OF CHILDREN RECEIVING ADOPTION ASSISTANCE, FISCAL YEAR 1990 ¹—Continued

[Dollars in thousands]

State	Fiscal year—				1990 estimated average monthly number of children
	1987 claims	1988 claims	1989 claims (estimate)	1990 claims (estimate)	
New Mexico.....	357	692	808	944	300
New York.....	19,005	28,610	33,423	39,060	12,036
North Carolina.....	486	538	629	735	1,626
North Dakota.....	123	147	172	201	92
Ohio.....	5,510	8,334	9,736	11,378	2,907
Oklahoma.....	252	326	381	445	213
Oregon.....	278	395	461	539	368
Pennsylvania.....	555	1,616	1,888	2,206	1,125
Rhode Island.....	1,049	2,153	2,515	2,939	379
South Carolina.....	557	917	1,071	1,252	364
South Dakota.....	258	488	570	666	180
Tennessee.....	470	584	682	797	454
Texas.....	1,564	1,591	1,859	2,173	1,288
Utah.....	262	266	311	363	138
Vermont.....	218	486	568	664	244
Virginia.....	564	681	796	930	557
Washington.....	500	682	797	931	655
West Virginia.....	221	218	255	298	74
Wisconsin.....	1,765	2,406	2,811	3,285	943
Wyoming.....	0	43	50	58	24
Total.....	69,799	96,711	112,981	132,040	46,444

¹ The numbers for State claims include both assistance payments and administrative costs.
Source: Department of Health and Human Services, Office of HDS, ACYF.

Federal expenditures for the assistance payments portion have increased from less than \$400,000 in FY 1981 to an estimated \$100 million in FY 1990, and are expected to be \$114 million in FY 1991. Federal expenditures for the nonrecurring adoption expenses portion are expected to be \$1.5 million in FY 1990 and \$2 million in FY 1991. An estimated 234,000 children were the beneficiaries of this provision in FY 1989.

U.S. Department of Health and Human Services (HHS) data indicate that administrative costs for the adoption assistance program have increased significantly during the last 10 years, as with the title IV-E foster care program. In FY 1981, administrative claims totaled \$100,000; in FY 1990 they will total an estimated \$31 mil-

lion and are expected to be \$35 million in FY 1991. States may claim matching funds for the following administrative activities: recruitment of adoptive homes, placement of the child in the adoptive home, home studies of the prospective adoptive home, case planning, case management, and case review activities during the preadoptive period.

CHARACTERISTICS OF CHILDREN IN ADOPTIVE CARE ⁷

National data on the characteristics of children for whom adoption assistance payments are made are not available. However, APWA's Voluntary Cooperative Information System (VCIS) is the primary source of data on the national child welfare system, and publishes the only comprehensive data estimates on the adoption of special needs children who at some time have been part of the substitute care system.⁸ Not all of the children described in VCIS data are the beneficiaries of adoption subsidies. VCIS collects information from States and compiles it in an annual report, with data available from fiscal years 1982 through 1986. APWA notes that the data in its reports should be treated as rough estimates given the voluntary nature of the information, and the fact that not all States report data on all questions, or conform to the same data definitions.⁹

VCIS collects information on adoptions related to substitute care children only. VCIS divides children in adoptive care into those with finalized adoptions, awaiting adoptive placement, or residing in nonfinalized adoptive homes. Children in the latter two categories are included in VCIS's definition of substitute care. VCIS collects data on the age, race/ethnicity, special needs status, and relation to adoptive parents of these children. The numbers below represent national estimates that APWA calculated based on data received from reporting States. Not all of the children described below were adopted with subsidies.

VCIS reported that 17,000 to 19,000 children had a finalized adoption in FY 1986, and 15,000 to 17,000 were placed in a nonfinalized adoptive home. Another 19,000 to 21,000 were still in substitute care and awaiting adoptive placement at the end of FY 1986.

⁷ Children in adoptive care have had a finalized adoption, are in a nonfinalized adoptive home, or are awaiting adoptive placement.

⁸ Substitute care is defined as a living arrangement in which children are residing outside of their own homes under the case management and planning responsibility of the primary State child welfare agency or of child placing agencies under contract to the primary agency. Living arrangements can include foster family or adoptive foster homes (both relative and nonrelative), group homes, child care facilities, emergency shelter, supervised independent living, nonfinalized adoptive home placements, and all other arrangements regarded as 24-hour substitute care by the State agency.

⁹ Two efforts are underway to address the lack of comprehensive data on adoption and the adoption assistance program in particular. "The Adoption Assistance Impact and Outcome Study" is a 3-year national study by the Administration for Children, Youth, and Families (ACYF), HHS, conducted by Westat, Inc. This study, which began in 1989, will involve a number of different components including an extensive survey of State adoption assistance programs and a survey of parents and children who have adopted with subsidies. The study will analyze the role of adoption assistance in promoting special needs adoption and determine how the adoption process affects children and families. In addition, Federal legislation was passed in 1987 requiring the Secretary of HHS to develop a system for the uniform collection of data on adoption and foster care in the United States. The National Center for State Courts received a grant to assist ACYF establish the National Adoption Information System. This system will replace VCIS and become the primary source of data on all adoptions (public and private) in the United States. Development of this data collection system is described in greater detail in Part VI of this document.

Of the 17,000 to 19,000 adoptions that were finalized in FY 1986, the 2 largest age groups of children were between 1 and 5 years of age (46.8 percent) and between 6 and 12 years of age (35.6 percent). The median age of children whose adoptions were finalized was 5.6 years. The majority of children (58.8 percent) were white, while 26.9 percent were black. Sixty-one percent of these children had one or more special needs that could pose barriers to adoption (see table 3).

Nearly half (46.2 percent) of the children whose adoptions were finalized in FY 1986 were adopted by people completely unrelated to them. Another 43.5 percent of the children were adopted by non-relative foster parents. Only 6.3 percent were adopted by relatives, and 4 percent were unknown.¹⁰

The composition of children awaiting adoptive placement is somewhat different from children whose adoptions were finalized. These children are generally older (median age was 9.2 years versus 5.6 years for finalized children), and include a greater percentage of black children (42.4 percent versus 26.9 percent of finalized children). In addition, of the children awaiting adoptive placement, 40 percent had been waiting for 2 or more years (see table 3).

Table 3.—FINALIZED ADOPTIONS AND CHILDREN AWAITING ADOPTIVE PLACEMENT, FY 1986

[In percentages]

	Finalized adoptions ¹	Children awaiting adoptive placement ²
Age ³		
0-1 year	6.6	3.5
1-5 years	46.8	26.1
6-12 years	35.6	44.5
13-18 years	10.5	24.7
19 years and older	0.3	1.1
Unknown	0.2	0.1
Race/ethnicity ⁴		
White	58.8	50.8
Black	26.9	42.4
Hispanic	8.1	3.2
Other	5.3	2.7
Unknown	0.9	0.9
Special needs status ⁵		
1 or more special needs	61.5	52.2
No special needs	38.3	46.6
Unknown	0.2	1.2
Time awaiting adoptive placement ⁵		
0-6 months		27.2
6-12 months		14.9

¹⁰ These data were provided by 22 States.

Table 3.—FINALIZED ADOPTIONS AND CHILDREN AWAITING ADOPTIVE PLACEMENT, FY 1986—Continued

[In percentages]

	Finalized adoptions ¹	Children awaiting adoptive placement ²
1-2 years		17.4
2 years or more		40.0
Unknown		0.5

¹ Data reported on the number of finalized adoptions which took place during FY 1986.

² Data reported on the number of children awaiting placement at the end of FY 1986.

³ Data provided by 25 States.

⁴ Data provided by 30 States.

⁵ Data provided by 22 States.

Source: APWA, VCIS, 1986.

Adoption Assistance in Five States

State adoption subsidy programs vary greatly. Some States already had subsidy programs when the Federal adoption assistance program was created in 1980, and modified their programs to accommodate Federal requirements. For other States, the title IV-E adoption assistance program was a completely new program. Below, the adoption assistance programs of five States are described—California, Illinois, Minnesota, New York and Texas. These States, with the exception of Minnesota, are among the 10 States with the largest number of special needs adoptions according to the National Committee for Adoption.

Not all of the States described had written information on their adoption assistance program; therefore, some of the information below comes from phone conversations with persons in charge of the State's program. When possible, the descriptions contain similar information; however, because States do not use the same definitions or collect the same types of data that was not always possible. Consequently, the information provided is not necessarily comparable from one State to another.

Four of the States described have a State supervised, locally administered social service system, whereby county social service agencies administer child welfare programs. In these States, the adoption subsidies paid to families on behalf of a child can differ greatly by county. Illinois has a State supervised and administered social service system, whereby families across counties generally receive the same adoption subsidy amount.

CALIFORNIA ¹¹

California has a State supervised, locally administered social service system. California was one of the States which already had

¹¹ Information on California's adoption assistance program was provided by Rich Hemstreet, Chief of the Adoptions Policy Bureau, and Jan Darvas, California Department of Social Services, Adoptions Branch, in a letter of June 7, 1990. California's fiscal year runs from July 1 to June 30.

an adoption assistance program in place in 1980 when the Federal program was created. It modified its program to meet Federal requirements. In January 1990, out of a total of 8,900 subsidies, 5,239 children (59 percent) were federally subsidized and 3,661 children (42 percent) were subsidized solely by the State of California. The number of IV-E eligible children in the program has been increasing every year.

The latest data available on the special needs status, ethnicity, and age of children adopted with subsidies in California are from FY 1987.¹² In that year, approximately 62 percent of these children were minorities, 41 percent had emotional or behavioral problems, 7 percent had physical disabilities, and 5 percent were mentally retarded. Approximately 40 percent of the children were 0 to 4 years of age, 34 percent were 5 to 8 years of age, 17 percent were 9 to 11 years of age, 7 percent were 12 to 14 years of age, and 2 percent were 15 to 18 years of age. The median age of children in the program was 6.1 years.

California will spend an estimated \$53.6 million on the adoption assistance program in FY 1990. Of that amount, \$15.3 million (29 percent) will be reimbursed by the Federal Government and \$38.3 million (71 percent) will be paid by the State. The average monthly payment per child in FY 1990 is \$376 for both IV-E eligible children and State-only children. About 20 percent of adoption assistance agreements are "deferred payment agreements," which means that if at some later date the adoptive family decides its child needs special care, adoption assistance funds are available.

To be eligible for adoption assistance in California, children may be adopted through public or private agencies. The majority of parents adopting subsidized children in California are former foster parents. Prospective adoptive parents must be automatically informed of the possibility of assistance under the adoption assistance program. Payments start after the agreement has been signed and the child has been placed for adoption. Adoption assistance payments are made until the child is age 18, or age 21 if mentally or physically handicapped.

Families of some IV-E children in California may also qualify for "specialized care payments." These special subsidies are for purposes such as specialized care for the child in a group home or psychiatric facility. These higher rates may be requested at any time after the child is placed for adoption, provided there is an adoption assistance agreement already in place.

California reimburses adoptive parents up to \$400 for nonrecurring adoption expenses. State legislation authorizing reimbursement retroactively for adoptions finalized from 1987 forward was enacted on January 1, 1990. All special needs children regardless of IV-E eligibility are covered by this program.

¹² *Supplemental Budget Report: Adoption Assistance Program*, prepared for the Joint Legislative Budget Committee by the California Department of Social Services, Adult and Family Services Division, Adoptions Branch, Dec. 1987.

ILLINOIS¹³

Illinois' social service system is State supervised and administered by eight regional offices. Illinois was one of the first States to establish an adoption assistance program in 1969 and later modified its program to meet Federal requirements. Approximately 800 children were adopted through public agencies in FY 1988 and adoption subsidies were paid on behalf of 550 of these children. Approximately 40 percent of the subsidized children were eligible for IV-E funds and the rest were State-only children.

In FY 1988, Illinois spent approximately \$8.5 million on the adoption subsidy program. Approximately \$3.4 million (40 percent) of that amount was paid by the Federal Government and \$5.1 million (60 percent) by the State. The average payment per child in FY 1988 was \$249 for both IV-E children and State-only children. Approximately 20 percent of IV-E children were the recipients of medicaid benefits only.

Children may be adopted through public or private adoption agencies and be eligible for adoption subsidies. Families receive subsidies after the child's adoption has been finalized. However, families that have a child placed for adoption with them may receive foster payments prior to finalization if they qualify as foster parents. Adoption subsidies are paid until the child is age 18, or age 21 if mentally or physically disabled.

In Illinois, children with similar special needs receive approximately the same rate across regions (unlike States that have a locally administered system). The State's adoption subsidy rate is based on a formula that takes into account the number of children in the family, the amount of net income in the family, and the type of special need. However, some families may qualify for extra cost items such as special equipment for a disabled child. In addition, parents receive annual forms to note changes in circumstances and request changes in subsidy levels.

Illinois reimburses parents up to \$1,500 for nonrecurring adoption expenses. The adoptive parents of all special needs children (regardless of IV-E eligibility) are eligible for these funds.

MINNESOTA¹⁴

Minnesota has a State supervised, locally administered social service system, whereby county social service agencies administer child welfare programs. As of July 1, 1989, there were 665 families and 844 children in Minnesota's subsidy program—78 percent of the children qualified for IV-E subsidies and 22 percent for State-only subsidies. In FY 1989, 92 percent of the children entering the program were IV-E eligible compared to 80 percent of the children

¹³ Information on Illinois' adoption assistance program was provided by Gary Morgan, Associate Deputy Director, Child Welfare and Protective Services Division, Illinois Department of Children and Family Services, per phone conversations on June 5 and June 15, 1990. Other information is taken from the Illinois Department of Children and Family Services' brochure on adoption assistance. Illinois' fiscal year runs from July 1 to June 30.

¹⁴ Information on Minnesota's subsidized adoption program was provided by Ruth Weidell, Adoption Program Consultant, per phone conversations on May 9 and June 1, 1990; and Bill Allen, Administration/Fiscal Department of Children's Services, per phone conversations on May 10 and June 1, 1990. All data on Minnesota's program are taken from the *Minnesota Subsidized Adoption Program FY 1989 Annual Report*. Other information taken from the Adoption and Guardianship Unit, Minnesota Department of Human Services' brochure describing the program. Minnesota's fiscal year runs from July 1 to June 30.

who entered in FY 1988. Out of the 844 children, 42 percent were the recipients of medicaid benefits only. The median age of children added to the program was 5 years in 1989, the youngest in the history of the program. Minnesota does not collect information on the race/ethnicity of the children in its program.

In FY 1989, Minnesota spent approximately \$2.1 million on the adoption subsidy program. Of that amount, approximately \$900,000 (43 percent) was to be reimbursed by the Federal Government. The average monthly payment for a IV-E eligible child was \$342 in 1989. The average monthly payment for a State-only child was \$323. In the past few years, the gap between amounts received by IV-E and non-IV-E eligible children has narrowed.

To be eligible for Minnesota's adoption subsidy program, children may be adopted through public or private agencies. Subsidies may only be granted at the time of the original adoption. Subsidy levels are determined when the child is placed in an adoptive home, but payments do not begin until finalization. Until finalization, parents who are adopting as foster parents continue to receive foster care payments. Adoption subsidies are made until children reach age 22 (IV-E eligible children receive State-only subsidies once they reach age 21). In Minnesota, the county in which the adoption agreement was signed is responsible for providing payments to families even if the child's family moves out of the county or State. Over half of Minnesota's subsidized adoptions are by foster parents.

Adoptive families may qualify for various levels of subsidized payments with several categories of special cost items. In FY 1989, Minnesota spent approximately \$105,000 on these special cost items. The special cost items for which families may qualify, and that may be requested at any time, include among other services: services for children under age 3 with developmentally delayed symptoms if such services are not available in schools; child care during parents' training or employment; up to 504 hours per year of respite care; post-adoption counseling for up to 1 year after legal adoption; medical needs not covered under medical assistance; and modifications of homes to accommodate handicaps (e.g., ramps or wheelchairs). Parents also receive an annual form to request modifications of their basic adoption subsidy.

Nonrecurring adoption expenses are automatically incorporated into every adoption subsidy in Minnesota, and parents may receive up to the maximum \$2,000 reimbursement. Minnesota currently pays these expenses for all special needs children who are adopted (regardless of IV-E eligibility). Before July of 1989 the State only reimbursed adoptive parents of IV-E eligible children for such expenses.

NEW YORK ¹⁵

New York State also has a State-supervised, locally administered social service system. In FY 1989, New York had approximately 15,000 children in its adoption subsidy program. Approximately two-thirds of the children presently in the program are IV-E eligi-

¹⁵ Information on New York's adoption subsidy program was provided by Peter Winkler, Director of the State Adoption Services, per phone conversations on May 14 and June 1, 1990. New York's fiscal year runs from Apr. 1 to Mar. 31.

ble, and that percentage increases every year. In recent years, approximately 80 to 90 percent of the children entering the program are IV-E eligible. Therefore, as non-IV-E children age out of the program, the Federal funding percentage increases. A very small percentage of the children within New York's program are eligible for medicaid only. The race/ethnicity breakdown of children in the adoption subsidy program resembles the State's foster care population—60 percent black, 15 to 20 percent Hispanic, and 15 to 20 percent white. The average age of children in the program was approximately 7.5 years in FY 1989 and has been decreasing in recent years.

Expenditures totaled \$80 million in FY 1989 for New York's adoption subsidy program. Of that amount, \$28.5 million (36 percent) was paid by the Federal Government and \$51.5 million (64 percent) by the State and local governments. The State pays 75 percent and local governments pay 25 percent of the non-Federal costs. Families receive the same subsidy amounts regardless of children's IV-E or non-IV-E status. The average payment per child was approximately \$400 to \$500 in FY 1989, although the amounts differ greatly by county; the highest amount paid to a child is approximately \$1,200 per month and the lowest amount approximately \$200 per month.

Only children who are adopted through public agencies may qualify for New York's adoption subsidy program (although there is a bill pending in the New York State Senate to change this). Adoption subsidies begin at the time of adoption finalization. Until finalization, parents who are adopting as foster parents continue to receive foster care payments, and those who were not originally foster parents receive foster care payments if they qualify. Adoption subsidies start before adoption finalization if the family cannot qualify as a foster parent. Approximately 80 percent of subsidized adoptions in New York are by foster parents. New York pays adoption subsidies until children are age 21, regardless of the type of special need. The county of first agreement must pay adoption subsidies to the family regardless of where the family moves.

Generally, once an adoption subsidy begins, its level cannot be changed. However, families may qualify for a higher level if they meet certain conditions, such as if the adopted child develops emotional or physical problems that were not evident at the time of adoption finalization. In addition, under a law passed in 1986, parents who originally adopted without subsidy who have children with handicaps may apply for an adoption subsidy at a later date. There is no Federal participation in this part of the program.

New York State reimburses parents up to \$2,000 for nonrecurring adoption expenses. Parents sign a separate agreement for this reimbursement prior to finalization. However, they actually receive the reimbursement after finalization (which could be up to a year later), because they have to show receipts to collect the reimbursement.

TEXAS¹⁶

Texas also has a State supervised, locally administered social service system. Texas already had an adoption subsidy program in 1980 (which began in 1976), and modified its program to meet Federal requirements. Texas currently has 2,300 children in its adoption subsidy program receiving payments. Approximately 60 percent of the children are IV-E eligible and 40 percent receive State-only subsidies.

Texas does not presently collect information on the age or ethnicity of the children in its adoption subsidy program. However, it does collect information on the children adopted through its public agencies, and adoption subsidies are paid on behalf of some of these children.¹⁷ In FY 1987, 872 children were placed for adoption through public agencies in Texas. Of this number, 35.3 percent were physically, emotionally, or mentally handicapped; this percentage has increased over the last 10 years. Seventeen percent of the children were black, 21.6 percent were Hispanic, 52.6 percent were white, and 8.8 percent were of other racial backgrounds. The median age of children placed for adoption was 5 years.

In FY 1990, Texas will spend approximately \$7.7 million on the adoption subsidy program. Of that amount, \$5 million is for IV-E children and \$2.7 million for non-IV-E children. Of the \$5 million, \$3 million is estimated to be reimbursable by the Federal Government. The average payment per child was \$259, with families of IV-E eligible or non-IV-E eligible children receiving the same subsidy amounts. There are no extra cost item subsidies for families. Families begin receiving payments approximately 6 weeks to 2 months after the child is placed, and continue to receive subsidies until a child is 18 years old. Families also receive annual renewal forms to note changes in the needs of the child or circumstances of the parents. To be eligible for the program, children must be adopted through public agencies or private agencies if SSI eligible.

Texas will reimburse parents up to \$1,500 for the nonrecurring adoption expenses of all special needs children, and this reimbursement is automatically included in the regular adoption paperwork.

¹⁶ Information on Texas's adoption subsidy program was provided by Susan Klickman, Texas Department of Human Services, per phone conversations on May 14, June 5, and June 14, 1990. Texas' fiscal year runs from Sept. 1 to Aug. 31.

¹⁷ Information on public agency adoptions taken from *Protective Services for Families and Children: Annual Report Fiscal Year 1987*, Texas Department of Human Services.

PART IV. FEDERAL FINANCING OF CHILD WELFARE SERVICES

Introduction

The term child welfare services is generally interpreted as including a wide array of activities designed to protect children in various at-risk situations. These activities can include investigation of abuse and neglect reports, preventive and supportive services for troubled families, removal of children from their homes if necessary for their protection, financial support to maintain children living in out-of-home care, services to reunite children with their natural families if possible, and services to place children for adoption or in other permanent living arrangements if family reunification is not feasible.

Child welfare services are provided through State and local child welfare agencies and by private agencies, with support from several Federal programs, in addition to State, local and private funding sources.

One recent estimate by APWA indicates the Federal Government contributes an average of 43 percent of the costs of child welfare services,¹ although this figure varies by State. This chapter lists and briefly describes the primary Federal programs supporting child welfare services, and presents national data on spending for child welfare services broken down by funding source. Similar data are presented for several States.

Description of Federal Funding Sources

The primary Federal programs supporting child welfare services are three sections of the Social Security Act: title IV-B, child welfare services; title IV-E, foster care and adoption assistance; and title XX, social services block grants.

1. The child welfare services program under title IV-B provides matching grants to States (75 percent Federal funding) for various services to protect the welfare of children. For FY 1990, \$252.6 million was appropriated for title IV-B. Services are provided without regard to income and may include services aimed at the following purposes: (1) protecting and promoting the welfare of all children, including handicapped, homeless, dependent, or neglected children; (2) preventing or remedying, or assisting in the solution of problems which may result in the neglect, abuse, exploitation, or delinquency of children; (3) preventing the unnecessary separation of children from their families by identifying family problems, assisting families in resolving their problems, and preventing breakup of

¹ Testimony of John White, Secretary, Pennsylvania Department of Public Welfare, on behalf of the American Public Welfare Association, before the House Committee on Ways and Means, Subcommittee on Human Resources, Apr. 4, 1990.

the family where the prevention of child removal is desirable and possible; (4) restoring to their families children who have been removed, by the provision of services to the child and the families; (5) placing children in suitable adoptive homes, in cases where restoration to the biological family is not possible or appropriate; and (6) assuring adequate care of children away from their homes, in cases where the child cannot be returned home or cannot be placed for adoption. Funds generally may not be used for foster care maintenance payments or for adoption assistance payments.

2. Title IV-E is an entitlement to States, supporting three separate activities: foster care, adoption assistance, and independent living for older foster children. The foster care component provides matching grants to States for the costs of maintaining children in foster care who would have been eligible for aid to families with dependent children (AFDC) had they remained in their home. These maintenance costs are matched at the State's Medicaid matching rate, which varies between 50 and 83 percent (depending on State per capita income), and averages about 53 percent nationwide. In addition, child placement and administrative expenses related to foster care are matched at 50 percent, and training costs are matched at a 75 percent Federal rate.

For FY 1990, \$1.2 billion was appropriated for foster care services under title IV-E. However, this figure may not necessarily reflect actual State spending for that year; States have up to 2 years to claim reimbursement for eligible foster care expenses under title IV-E.

Adoption assistance payments under title IV-E are made to families who adopt "special needs" children, as defined by States, who would have been eligible for AFDC or supplemental security income (SSI) had they remained in their biological homes. Like foster care maintenance payments, these payments are matched at the State's Medicaid rate. Families who adopt special needs children, regardless of the child's eligibility for AFDC or SSI, may be reimbursed for certain one-time nonrecurring costs related to the adoption. These payments are matched at a 50 percent Federal rate. Administrative costs are also matched at 50 percent, and training costs are matched at 75 percent.

For FY 1990, \$124.8 million was appropriated for adoption assistance under title IV-E.

Title IV-E supports the transition from foster care to independent living through payments to States to establish Independent Living Programs for foster children age 16 and older, regardless of their eligibility for AFDC. However, not all eligible children receive these services. Beginning in FY 1991, States will have to furnish a 50 percent match for expenditures above their share of the first \$45 million of appropriations. For FY 1990, \$50 million was appropriated for independent living under title IV-E. Unlike the foster care and adoption assistance components of title IV-E, which are open-ended entitlements, independent living has an entitlement ceiling which will increase to \$60 million in FY 1991 and \$70 million in FY 1992. The program is not authorized beyond 1992. (The Independent Living Program is discussed in greater detail in Part I of this document.)

3. Finally, title XX of the Social Security Act provides block grants to States for a wide variety of social services, including child welfare services, as determined appropriate by the States. States establish their own priorities for services and set their own eligibility criteria. Grants are 100 percent federally financed, and the program is structured as a capped entitlement to States. The entitlement ceiling for title XX is currently fixed at \$2.8 billion, and that amount was appropriated for FY 1990.

Data from 31 States responding to a voluntary survey² provide some information on the amount of title XX dollars used by States for child welfare services in FY 1986, the most recent year for which survey results have been published. Because of the voluntary nature of the survey and variation in State definitions, the following numbers should be considered rough estimates and not precise measures. The survey found that 14.0 percent of title XX funds in 31 States was used for substitute care and placement services for children; 1.3 percent for adoption services; 9.8 percent for protective services for children; and 2.4 percent for preventive services for children and their families. In addition, 14.1 percent of title XX funds were used for child day care services, of which some portion may have been child welfare-related.

Additional Federal programs which may support child welfare services include Medicaid (medical services for eligible foster children), grants to States for child abuse and neglect prevention and treatment, grants for juvenile justice and delinquency prevention, refugee assistance and others.

Federal/NonFederal Contribution to Child Welfare Expenditures

The American Public Welfare Association (APWA) recently conducted an analysis of 31 State child welfare services plans and found that these States planned to spend almost \$3.5 billion for child welfare services in FY 1990.³ Of this total, the Federal Government was expected to contribute 42.6 percent (4.1 percent from title IV-B, 11.8 percent from title IV-E, and 26.7 percent from other Federal programs, including title XX). State plans indicated that the remaining 57.4 percent of child welfare costs would be paid by State, local or private sources.

State and other nonFederal spending is used to meet title IV-B and IV-E matching requirements, plus other child welfare costs such as 100 percent of the expense of maintaining non-AFDC-eligible foster children in substitute care.

The following two tables present information from the APWA analysis on categories of child welfare services and their funding sources. Table 1 indicates, for each category of service, the percentages of Federal and nonFederal funds spent. Table 2 indicates, for each funding source, the percentages spent on each category of service. Both tables are based on data from 31 States.

These tables, and all subsequent data presented in this chapter, should be read with caution. The definition of "child welfare services" and the programs and spending encompassed within child

² *A Statistical Summary of the VCIS Social Services Block Grant (SSBG) Data for FY 86.* American Public Welfare Association, Feb. 1990, p.28.

³ Testimony of John White, Apr. 4, 1990.

welfare services, varies among States. For example, the columns showing "other Federal" and "State/local" spending do not contain precisely the same information for each State. Some State child welfare plans include Medicaid services for foster children as "other Federal" spending, while such spending is not identified in other State plans. If Medicaid funds are included in a State's child welfare services plan, nonFederal matching funds would also be included in the State/local column.

In addition, the definition of specific services varies among States. For some of the States which are discussed later in this Part, the category of preventive/supportive services, for example, clearly includes spending for child protective services and investigations of child abuse and neglect reports. Other States do not indicate what is included in this category. Therefore, it is not clear whether these categories are directly comparable from one State to another.

Despite these limitations, the following information is useful in highlighting the variation among States, and in illustrating the importance of State and local spending in relation to Federal funding for child welfare activities.

Table 1.—FUNDING SOURCES OF CHILD WELFARE SERVICES, FY 1990

[In percentages, dollars in millions]

Category	Federal			State/ local	Total percent	Total dollars
	IV-B ¹	IV-E ¹	Other ²			
Preventive/supportive services	6.8	6.7	37.2	49.3	100.0	\$897.7
Foster care maintenance.....	1.6	18.2	12.1	68.1	100.0	984.8
Foster care services.....	5.8	8.3	28.7	57.2	100.0	399.2
Adoption.....	3.5	20.6	10.5	65.4	100.0	166.9
Training/staff development....	4.9	41.9	24.0	29.2	100.0	16.9
Administration	6.7	17.5	25.3	50.5	100.0	424.3
Other child welfare.....	4.1	3.8	35.8	56.3	100.0	172.4
Day care ³	0.2	3.7	40.4	55.7	100.0	429.0
All services.....	4.1	11.8	26.7	57.4	100.0	3,491.3

¹ Federal dollars only; does not include nonFederal matching funds.

² Federal dollars only; does not include nonFederal matching funds. Includes title XX social services block grants.

³ May include some employment and training related day care for children who are not necessarily clients of the child welfare system.

Source: APWA analysis of 31 State child welfare services plans, estimates of planned spending for FY 1990.

Table 2.—CHILD WELFARE SERVICES FUNDED BY FEDERAL/NONFEDERAL SOURCES, FY 1990

[In percentages, dollars in millions]

Category	Federal			State/local	Percent of total
	IV-B ¹	IV-E ¹	Other ²		
Preventive/supportive services	42.6	14.7	35.8	22.1	25.7
Foster care maintenance....	11.1	43.6	12.8	33.4	28.2
Foster care services.....	16.3	8.0	12.3	11.4	11.4
Adoption.....	4.1	8.5	1.9	5.4	4.8
Training/staff development.....	0.6	1.7	0.5	0.3	0.5
Administration	19.9	18.1	11.5	10.7	12.2
Other child welfare	4.9	1.6	6.6	4.8	4.9
Day care ³	0.5	3.9	18.6	11.9	12.3
Total percent.....	100.0	100.0	100.0	100.0	100.0
Total dollars.....	\$143.2	\$410.6	\$931.6	\$2,006.0	\$3,491.3

¹ Federal funds only; does not include nonFederal matching dollars.

² Federal funds only; does not include nonFederal matching dollars. Includes title XX social services block grants.

³ May include some employment and training related day care for children who are not necessarily clients of the child welfare system.

Source: APWA analysis of 31 State child welfare services plans, FY 1990.

Selected State Data

The following sections provide information on child welfare spending in several States. Unless otherwise indicated, information was derived from the State's child welfare services plan for FY 1990. Therefore, the following tables, as well as tables 1 and 2 above, portray *estimates of planned* spending, rather than actual expenditures.

The summary table below indicates the variation in child welfare expenditure patterns among States. A more detailed breakdown of spending by service categories follows for five of the States. As noted earlier in this Part, readers should be aware that States vary in the way they define and categorize services. In addition, not all States included information for every category. For example, Oregon and Texas did not specifically show spending for administration, training/staff development, and "other" child welfare services, yet these categories were shown for Kansas and New York. Maryland showed spending for administration, but did not specify training/staff development or other child welfare services. Thus, State-to-State comparisons of the information in the following summary table and subsequent sections should be made with caution.

While table 3 is useful in suggesting the variations in State expenditure patterns for child welfare services, it also highlights the difficulty of analyzing national information in the child welfare

services area. The wide variation in State definitions and reporting procedures make it very difficult to draw conclusions from the limited amount of data available.

Table 3.—CHILD WELFARE SPENDING IN SELECTED STATES, FY 1990

[In percentages, dollars in millions]

State	Federal				State/local	Total dollars
	IV-B	IV-E	XX	Other		
California ¹	1.9	19.2	0	0	78.9	\$1,274.7
Kansas	1.8	5.5	10.5	23.2	58.9	135.7
Maryland	2.5	14.4	19.6	.2	63.3	165.5
New York	.8	20.6	7.3	(²)	71.3	2,014.5
Oregon	2.5	11.9	(³)	30.8	54.7	119.8
Pennsylvania ⁴	3.3	18.2	2.6	0	75.8	422.7
Texas.....	8.8	15.9	(³)	⁵ 44.6	⁵ 30.6	226.9

¹ Information obtained from a summary of the State annual child welfare services plan prepared by APWA.

² Other Federal spending is included with State/local spending.

³ Expenditures under title XX are included with other Federal spending.

⁴ Information obtained from State Department of Public Welfare, through APWA.

⁵ An unidentified amount of State/local spending for foster care maintenance payments is included in other Federal column.

KANSAS

A breakdown of child welfare expenditures in Kansas showed Federal spending under titles IV-B and IV-E (the child welfare services, foster care and adoption assistance programs) and the title XX social services block grant separately from other Federal spending. "Other" Federal spending shown in the following table includes Medicaid, grants to States for juvenile justice and delinquency prevention, and grants for child abuse and neglect prevention and treatment.

Table 4.—CHILD WELFARE SPENDING IN KANSAS, BY FUNDING SOURCE

[In percentages, dollars in millions]

Category	Federal				State/ local	Total dollars
	IV-B	IV-E	XX	Other		
Preventive/supportive services ...	12.1	1.1	30.1	16.4	40.2	\$12.2
Foster care maintenance.....	2.7	20.5	0	0	76.8	25.0
Foster care services.....	1.0	1.9	26.9	26.5	43.6	30.1
Adoption.....	.3	12.7	14.5	16.9	55.5	3.2
Training/staff development.....	0	62.6	7.1	0	30.3	1.2
Administration	.3	10.0	27.1	.9	61.6	4.9
Other child welfare.....	.01	.03	.6	31.6	67.7	50.7
Day care.....	.1	.2	3.1	58.5	38.2	8.4

Table 4.—CHILD WELFARE SPENDING IN KANSAS, BY FUNDING SOURCE—Continued

[In percentages, dollars in millions]

Category	Federal				State/ local	Total dollars
	IV-B	IV-E	XX	Other		
Total	1.8	5.5	10.5	23.2	58.9	135.7

MARYLAND

The following information on child welfare expenditures in Maryland did not indicate what programs were included in the "other Federal" category.

Table 5.—CHILD WELFARE SPENDING IN MARYLAND, BY FUNDING SOURCE

[In percentages, dollars in millions]

Category	Federal				State/ local	Total dollars
	IV-B	IV-E	XX	Other		
Preventive/supportive services ...	2.4	8.3	39.6	.4	49.3	\$43.2
Foster care maintenance.....	0	19.7	0	.4	79.9	33.7
Foster care services.....	4.6	15.1	13.4	0	66.9	33.4
Adoption	8.8	15.6	7.6	0	68.0	10.9
Administration	13.3	11.0	4.5	0	71.2	4.5
Day care.....	0	16.1	24.5	0	59.4	39.8
Total	2.5	14.4	19.6	.2	63.3	165.5

NEW YORK

Information obtained for child welfare spending in New York shows "other" Federal spending together with State and local funds. Specific programs included in the "other Federal" category are not identified.

Table 6.—CHILD WELFARE SPENDING IN NEW YORK, BY FUNDING SOURCE

[in percentages, dollars in millions]

Category	Federal			Other Federal, State/local	Total dollars
	IV-B	IV-E	XX		
Preventive/supportive services ¹	2.2	0	2.4	95.4	\$321.2
Foster care maintenance.....	.4	28.1	0	71.5	893.6
Foster care services.....	1.2	30.4	0	68.4	287.9
Adoption	0	36.0	0	64.0	126.7

Table 6.—CHILD WELFARE SPENDING IN NEW YORK, BY FUNDING SOURCE—Continued

[in percentages, dollars in millions]

Category	Federal			Other Federal, State/local	Total dollars
	IV-B	IV-E	XX		
Training/staff development.....	0	70.0	13.6	16.4	22.0
Administration.....	3.5	25.0	0	71.5	57.5
Other child welfare ²	0	0	22.3	77.7	120.2
Day care.....	0	0	59.3	40.7	185.5
Total	.8	20.6	7.3	71.3	2,014.5

¹ Includes child protective services.² Includes employment services, housing improvement service, domestic violence, services for unmarried parents, family planning, homemaker, housekeeper and chore services, information and referral, and teenage pregnancy projects.

OREGON

The following table on child welfare spending in Oregon includes expenditures under title XX social services block grants, Medicaid, refugee assistance, and "miscellaneous" Federal programs in the "other Federal" category.

Table 7.—CHILD WELFARE SPENDING IN OREGON, BY FUNDING SOURCE

[In percentages, dollars in millions]

Category	Federal			State/local	Total dollars
	IV-B	IV-E	Other		
Preventive/supportive services	4.3	.2	60.6	34.9	\$46.5
Foster care maintenance.....	1.4	14.8	3.4	80.4	46.5
Foster care services.....	1.2	31.5	20.0	47.3	20.7
Adoption.....	2.9	17.1	37.3	42.7	4.7
Day care.....	0	0	88.7	11.3	1.4
Total	2.5	11.9	30.8	54.7	119.8

TEXAS

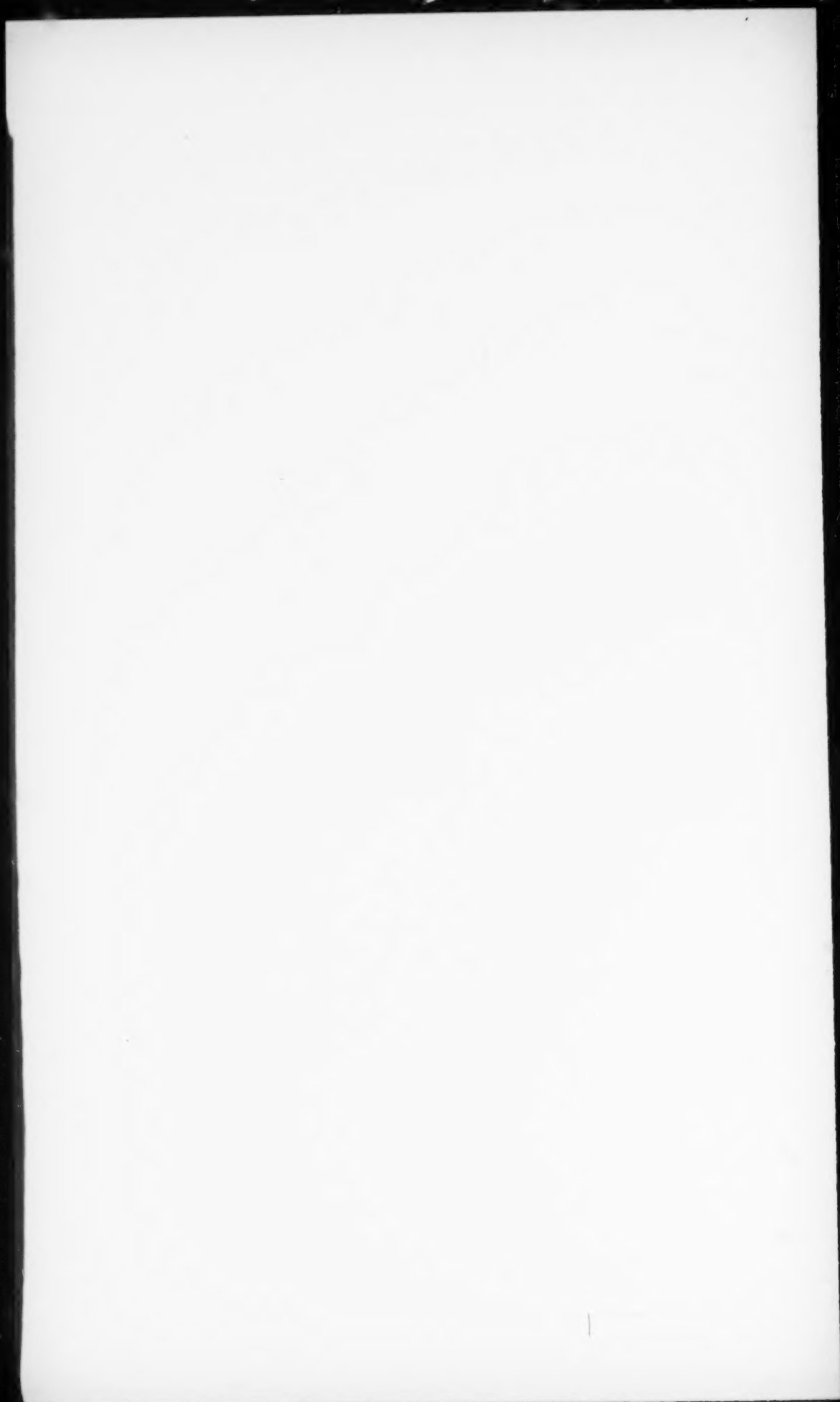
"Other Federal" funding, in the case of Texas child welfare spending, includes title XX social services block grants, grants to States for child abuse and neglect prevention and treatment, and Medicaid.

Table 8.—CHILD WELFARE SPENDING IN TEXAS, BY FUNDING SOURCE

[In percentages, dollars in millions]

Category	Federal			State/local	Total dollars
	IV-B	IV-E	Other		
Preventive/supportive services ¹	20.6	11.7	² 28.5	39.2	\$70.5
Foster care maintenance.....	0	32.2	³ 67.8	(³)	48.7
Foster care services.....	12.2	15.5	⁴ 30.7	41.6	41.6
Adoption.....	2.4	21.3	⁵ 8.7	67.6	17.2
Day care.....	0	4.3	⁴ 9.3	26.4	49.0
Total	8.8	15.9	⁶ 44.6	30.6	226.9

¹ Includes investigations of abuse and neglect reports.² Of this amount of other Federal spending, 96 percent is from the title XX social services block grant; the remainder is from child abuse and neglect State grants.³ Other Federal and State/local spending for foster care maintenance is shown together.⁴ Exclusively title XX social services block grants.⁵ Of this amount, 56 percent is from medicaid, and the remainder from title XX social services block grants.⁶ Includes an unidentified amount of State/local spending for foster care maintenance.



PART V. DETERMINING STATE COMPLIANCE WITH FEDERAL REVIEW REQUIREMENTS

Background

1980 LEGISLATIVE REFORM

The Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272) addressed a number of concerns with the foster care and adoption services available in the States at that time. These included the following:

(1) It was widely argued that the Federal Government should encourage States to prevent inappropriate foster care placements and ensure that children remained in substitute care only as long as necessary. Several studies published during the 1970s noted that foster care placement was often the alternative used when services (such as those designed to make it possible for children to remain in their own homes, or be reunited with their families) were not available.

(2) Much concern was also expressed about the length of time children were left in foster care. In 1977, a study sponsored by HEW found that 58 percent of all children in foster care had been there for more than two years and that two and one-half years was the median length of stay in substitute care. Child welfare researchers noted that the likelihood of a child's exit from foster care decreased with the length of stay.

(3) In addition, it was widely felt that States should pursue a policy of permanency planning, consisting of interviews at the time of initial placement, goal setting, and periodic re-evaluations—mechanisms aimed at ensuring that children are placed appropriately and not forgotten once they entered the foster care system.

The 1980 legislation changed the Social Security Act funding mechanisms for both the title IV-B child welfare services and the title IV-A foster care program (the latter program was transferred to the newly created title IV-E). Many of these changes involved fiscal incentives to States to use child welfare services in lieu of initial or continued foster care placement whenever possible and appropriate. Primary emphasis was placed on preventing the need for substitute care, and reunifying as many foster children as possible with their families.

REQUIREMENT FOR FEDERAL REVIEW OF STATE PRACTICES: SECTION 427 REVIEWS

The most direct fiscal incentive of this type is contained in section 427 of title IV-B, which specifies the child protections that must be in place in order for a State to receive its allotment of appropriated title IV-B funds in excess of \$141 million. As table 1 shows, these "incentive funds" have grown in importance, rising from just 10 percent (\$15.3 million) of the total amount appropri-

ated for title IV-B in 1982, to 44 percent (\$111.6 million) of the appropriation for 1990, and, if the \$300 million the administration has proposed to be spent in 1991 is appropriated, as much as 53 percent in that year.

Table 1.—TITLE IV-B INCENTIVE FUNDS AVAILABLE TO STATES, FISCAL YEAR 1982-1991

[In millions of dollars]

Fiscal year	Appropriation	Incentive funds	Proportion of total (percent)
1982.....	\$156.3	\$15.3	10%
1983.....	156.3	15.3	10
1984.....	165.0	24.0	15
1985.....	200.0	59.0	30
1986.....	¹ 198.1	57.1	29
1987.....	222.5	81.5	37
1988.....	239.4	98.4	41
1989.....	246.7	105.7	43
1990.....	¹ 252.6	111.6	44
1991.....	² 300.0	159.0	53

¹ The funding level for FY 1986 reflects a 4.3 percent reduction in the \$207 million title IV-B child welfare funds appropriated, due to the sequestration under the Gramm-Rudman-Hollings legislation. The funding level for FY 1990 reflects a 1.4 percent reduction in the \$256.1 million appropriated, also due to sequestration under that same legislation.

² The administration included \$300 million for title IV-B in its FY 1991 proposed budget. Congress has not enacted legislation appropriating 1991 funding for this program.

Source: Department of Health and Human Services.

REQUIRED CHILD PROTECTIONS

In 1980, following the enactment of P.L. 96-272, HHS identified a total of 18 child protections required by section 427 of title IV-B. In what came to be known as "427 reviews," the caseload of each State receiving incentive funds is examined to determine compliance with these child protections. States are not required to initiate this review process, but nearly all States have elected to undergo reviews. Five States (Massachusetts, New Hampshire, Vermont, Wyoming, and Puerto Rico) have not chosen to be reviewed for at least several, if not all, relevant years. (See tables 2 and 3, pp. 102 and 105.)

The HHS reviews require the following:

- that the case plan for each child include a:
 - (1) description of the type of home or institution in which the child is to be placed;
 - (2) discussion of the appropriateness of the placement;
 - (3) plan to achieve placement in the least restrictive (most family-like) setting;
 - (4) plan for placement in close proximity to the parents' home, consistent with the best interest and special needs of the child;

(5) statement of how the responsible agency plans to carry out the voluntary placement agreement or judicial determination;

(6) plan for ensuring that the child will receive proper care;

(7) plan for providing services to the parents, child, and foster parents to improve conditions in the parents' home and facilitate the return of the child to the home, or into a permanent placement;

(8) plan for services to address the needs of the child while in foster care;

(9) discussion of the appropriateness of services provided;

- that the status of each child in foster care be reviewed periodically but no less frequently than once every six months by a court or administrative review (see protections 14 and 15) to determine the:

(10) continuing necessity for and appropriateness of placement;

(11) extent of compliance with the case plan;

(12) extent of progress made toward alleviating or "mitigating" the causes of foster placement;

(13) likely date the child may be returned home or placed for adoption or provided legal guardianship;

- that all administrative reviews must:

(14) be open to the participation of the parents;

(15) be conducted by a panel of appropriate persons, at least one of whom is not responsible for the case management of, or the delivery of services to, the child or parents;

- that procedural safeguards that pertain to parental rights are followed when:

(16) the child is removed from the parents' home;

(17) a change is made in the child's placement;

(18) any determination of the parents' visitation privileges is made.

HHS REVIEW PROCEDURES

As outlined in pertinent ACYF Policy Information Questions (PIQs), and in the "Section 427 Review Handbook" published by the Department in August, 1988, the 427 review process of a State's foster care system (administered by the Administration for Children, Youth, and Families (ACYF)), HHS consists of two phases: (1) the administrative review, and (2) the survey of case records. The process is initiated when a State "self-certifies" after determining that it is in compliance with the 18 protections on the basis of the State's understanding of the statute. An administrative review is then conducted to determine if all policy and procedural systems necessary to implement the child protections are in place at a Statewide level. Specifically the administrative review verifies that the State has:

- conducted an inventory of the children in foster care;
- implemented a statewide information system;

- established a service program designed to assist foster children return home, or be placed for adoption or legal guardianship;
- instituted a case review system.

If the State has fully implemented these administrative components, the review process proceeds to the case record survey stage.

Three separate case record surveys are conducted in each State (an initial, subsequent, and triennial review) by a team composed of Federal, regional, and State personnel. Each of these reviews demands a higher level of compliance, and a State must have successfully passed the preceding review before proceeding to the next one. If a State does not meet the standards established for any review, the review is conducted each succeeding year until the State passes.

The initial review is conducted for the fiscal year in which the State certifies its eligibility. If a State meets the requirements of the initial review, a subsequent review is conducted the following fiscal year. Three years after successful passage of the subsequent review, a triennial review is conducted. Every three years following successful passage of this highest level of compliance, it is Departmental policy to re-review State practices.

For a case to successfully pass an initial, subsequent, or triennial review, the case record must include:

- a written case plan;
- an official record documenting that periodic reviews were held at least once every six months by a court or by an administrative review; and that
- a dispositional hearing was held by a court or court-appointed body no later than 18 months after the placement of the child, and periodically thereafter (time period determined by State) to determine the future status of the child;

Initial reviews require evidence that 13 of the 18 child protections (listed earlier) be present in 66% of the case records sampled, and subsequent reviews require this in 80% of the cases sampled in a State. Triennial reviews require evidence of 15 of the 18 child protections in 90% of the cases sampled. Currently, 40 States have passed this level of review (see table 2).

Table 2.—STATUS OF STATE COMPLIANCE WITH SECTION 427 REVIEWS 1981–1989

Compliance status	Number of States	Cumulative number
Triennial review	40	40
Subsequent review	2	42
Initial review	0	42
State certified (awaiting ACYF review)	2	44
Not in compliance	3	47
Not State certified	¹ 5	52

¹ Four of these five States withdrew their certification after failing a 427 review.

Sources: GAO/PEMD-89-17, "Foster Care, Incomplete Implementation of the Reforms and Unknown Effectiveness." Updated with information supplied by HHS.

If a State is found out of compliance, ACYF issues a disallowance against the State's allotment of incentive funds for the coming fiscal year. States may appeal the disallowance to the HHS Departmental Appeals Board (DAB) but ACYF routinely withholds from a State the amount of the disallowance until the appeals process is completed.

FEDERAL REGULATIONS IMPLEMENTING THE REVIEW REQUIREMENTS

Prior to 1980, the review of State foster care and adoption services was conducted by a program review of foster care and related child welfare services, including Child Protective Services (CPS), adoption, and general system management and administration. The composition of the review teams was the same as it is currently (Federal, regional, and State personnel) but the review focused on a number of system-wide indicators of generally accepted standards of good practice. At the conclusion of the review each State was informed of its standard of care in relation to other States. Methods for the improvement of service delivery were discussed by State and Federal personnel, and no financial penalties were attached to a State's performance. Approximately 28 States participated in these program reviews on a voluntary basis until they were discontinued in 1980.

Recently, the Department has announced plans to field test nearly-identical reviews in two States. According to officials at ACYF, it is the Department's goal to provide a more thorough assessment of participating States' child welfare systems, and offer them any needed technical assistance.

Shortly after P.L. 96-272 was enacted in 1980, the Department wrote a set of detailed regulations for determining State qualification for title IV-B incentive funds. These regulations were published in the *Federal Register* on December 31, 1980 as an interim final rule. Some aspects of the regulations reflected the nature of the earlier program reviews. Generally, they were very prescriptive in nature, yet they provided States several detailed options for service delivery.

For example, in reference to family reunification services, the regulations specified that State programs must be composed of day care services, homemaker or caretaker services, and family or individual counseling for parent(s) and the child. These services were somewhat loosely defined in the regulations. For example, homemaker services were defined as "those services which provide a qualified person to assist families with children in home maintenance and management in order to strengthen, support, supplement and restore parental capacity to care for the children." States were given flexibility to design the specifics of their homemaker services, and (according to the needs of their caseload) were encouraged to include services in their reunification program in addition to those specified in regulation.

The interim final rule also included a number of compliance requirements that did not allow States the same degree of flexibility. For example, the rule required that each State develop a Statewide information system that would provide detailed, case-specific data on the children in foster care. Moreover, information systems were to be designed so that they were able to accommodate uniform data

definitions that the Secretary of HHS would develop, and be able to aggregate the data consistent with dates, format and procedures to be developed by the Secretary.

States tended to be generally supportive of the policy direction established in the interim final rule, while at the same time calling for clarification of a number of operational definitions. However, they were more critical of the regulations' more prescriptive elements, especially because there was virtually no lead time allowed States to implement the services necessary to receive incentive funding for the subsequent quarter. In contrast, the reaction of advocacy organizations ranged from very supportive to comments that the interim rule should be more strict in terms of mandating acceptable, and unacceptable, program performance.

However, this set of regulations never went into effect. On March 3, 1981, HHS withdrew the interim final rule, stating that the Office of Management and Budget (OMB) had not reviewed and approved the sections containing reporting and recordkeeping requirements. The following year States were informed of the manner in which the reviews would take place in ACYF-PIQ-82-06. Primarily the Policy Information Question simply restated the pertinent sections of title IV-B. The original 1980 regulations were never re-issued.

During the 1980's, legal and policy interpretations issued by ACYF and the HHS Departmental Appeals Board constituted the set of standards against which State compliance has been measured. To date HHS has issued 14 Policy Interpretation Questions (PIQs), 11 Program Instructions (PIs), two Information Memorandum (IMs), and one Departmental Policy Announcement (PA) to the States. PIQs, which are the most heavily relied upon by States seeking to clarify compliance ambiguities, cover a range of topics including the requirements of preplacement prevention services and information systems, specifications on the timing and content of dispositional hearings, and operational definitions of requirements contained in titles IV-B and IV-E.

In congressional hearings throughout the 1980s, States and public interest groups asserted that a great deal of confusion surrounded compliance issues due to the absence of clear, unambiguous regulations. For instance, the Department found a number of States out of compliance due to problems related to the specified judicial process, such as the absence of formal documentation showing that certain child protections were followed.

According to a report published in November, 1982 by the American Public Welfare Association (APWA), reviewers disallowed secondary evidence (notes made by caseworkers), requiring instead that primary evidence (a court document or letter from the administrative body fulfilling the function of a judicial body) be present in the case record. A number of States complained that they were found out of compliance on the grounds that entries in the case record on the date and outcome of a judicial hearing were not sufficient documentation, even though the administration had not told them before hand that this kind of notation was insufficient, and that primary evidence was required. According to the Department, section 427 specifications now require that such primary evidence

(or legible copies of primary evidence) be placed in the case record in order for States to qualify for incentive funding.

In addition to the confusion surrounding rules, large reductions in staff (combined with the cancellation of program reviews) left HHS with a limited capacity to gain knowledge of existing child welfare practices in States, and monitor and influence the delivery of these services.

RECORD OF STATE COMPLIANCE

According to HHS, most funding disallowances (resulting from sampled cases found not in compliance during periodic reviews) occur as a result of States not holding periodic reviews and dispositional hearings within the time frame specified in the statute.

From FY 1982 to FY 1987, 152 section 427 reviews were conducted. Twenty-five of these resulted in a failure. These States failing reviews were assessed disallowances totaling \$13.4 million. The amount of the disallowance for a State failing a review is equal to the amount of incentive funds it is eligible to receive in the year for which the review was conducted. Therefore, the amounts vary widely from State to State. For example, the amount disallowed the State of Florida was \$1,832,000; Maryland, \$1,297,000; Connecticut, \$748,000; Arkansas, \$190,000; and Alaska, \$163,000.

Table 3.—OUTCOME OF ACYF REVIEWS OF STATES' COMPLIANCE WITH SECTION 427, AS OF MAY 1990

State ¹	1981	1982	1983	1984	1985	1986	1987	1988	1989
Alabama	NA	NA	Pass	Pass			Pass		
Alaska	NA	NA	NA	NA	NA		Pass	Fail	Pending ²
Arizona	Pass	Pass			Pass				
Arkansas	Pass	Fail ³	Pass			Pass			Pass
California	NA	NA	Pass	Pass			Pass		
Colorado	Pass	Pass			Pass				Pass
Connecticut	Pass	Pass			Fail ⁴				
Delaware	NA	Pass	Pass	Pass			Pass		
District of Columbia	NA	NA	Fail ³	Fail	Pass	Pass			
Florida	NA	Pass	Fail ⁴	Pass					
Georgia	NA	Pass	Pass			Pass			
Hawaii	NA	NA	NA	NA	NA		Pass	Pass	Pass
Idaho	NA	Pass	Pass			Pass ³			
Illinois	Pass	Pass		Fail ⁴					
Indiana	NA	NA	Pass	Pass			Pass		
Iowa	Pass	Pass			Pass			Pass	
Kansas	Pass	Pass			Pass			Pass	
Kentucky	Pass	Pass			Pass			Pass	
Louisiana	NA	NA	Fail	Pass	Pass			Pass	
Maine	NA	NA	Pass	Pass			Pass		

Table 3.—OUTCOME OF ACYF REVIEWS OF STATES' COMPLIANCE WITH SECTION 427, AS OF MAY 1990—Continued

State ¹	1981	1982	1983	1984	1985	1986	1987	1988	1989
Maryland	Pass	Fail ⁴	Fail ⁴						
Massachusetts	NA	NA	NA	NA	NA	NA	NA		
Michigan	Pass	Pass			Pass			Pass	
Minnesota	NA	Pass	Pass			Pass			
Mississippi	NA	Pass	Pass			Pass			Pass
Missouri	Pass	Pass			Pass			Pass	
Montana	Pass	Pass			Pass			Pass	
Nebraska	NA	Pass	Pass			Pass			Pass
Nevada	NA	Pass	Pass			Pass			
New Hampshire	NA	Fail ³	Pass	Fail	NA				
New Jersey	Pass	Pass			Pass			Pass	
New Mexico	NA	Pass	Pass			Pass			
New York	Pass	Pass			Pass			Pass	
North Carolina	NA	Pass	Pass			Pass			
North Dakota	Pass	Pass			Pass			Pass	
Ohio	Fail ³	Fail	Fail ³	Fail	Pass	Pass			Pass
Oklahoma	Pass	Pass			Pass			Pass	
Oregon	Pass	Pass			Pass			Pass	
Pennsylvania	NA	NA	Pass	Pass			Pass		
Rhode Island	Fail	Pass	Fail	Pass			Pass		
South Carolina	Pass	Pass			Pass			Pass	
South Dakota	Pass	Pass			Pass			Pass	
Tennessee	Pass	Pass			Pass			Pass	
Texas	NA	Pass	Pass			Pass			
Utah	Pass	Pass			Pass			Pass	
Vermont	Fail ³	Pass	Fail ⁵	NA	NA				
Virginia	Pass	Fail ³	Fail ³	Pass			Pass		
Washington	Pass	Pass			Pass			Pass	
West Virginia	Pass	Pass			Fail	Pend- ing ²			
Wisconsin	NA	Pass	Pass			Pass			
Wyoming	Pass	Fail ³	Fail	NA	NA	NA	NA		

¹ Table is for fiscal years excluding the territories. Blanks indicate that the State was not reviewed that year. However, ACYF considers a State eligible for incentive funds between reviews, as long as it certifies compliance with the law. NA means that the State did not certify compliance and apply for funds or later withdrew its certification.

² A case-record review was conducted, but the compliance decision has not been reached.

³ This reflects the final decision of the HHS departmental appeals board on the State's appeal.

⁴ State's appeal is pending in U.S. district court.

⁵ State withdrew its appeal of ACYF's decision.

Source: GAO/PEMD-89-17, "Implementation and Effects of Foster Care Reforms," and HHS.

CRITICISMS OF THE REVIEW PROCESS

During the 1980s, the response of HHS to criticisms of the review process was to issue PIQs clarifying Federal standards. However, recently the Department has begun to acknowledge that the current review process may need improvement. In his written testimony for a hearing of the Human Resources Subcommittee of the House Ways and Means Committee in April, 1990, Dr. Wade Horn, the Commissioner of ACYF, stated that:

"section 427 does, indeed, set up a 'structure' for building protections for children at risk . . . However, we do recognize that the current section 427 review process does not provide an accurate test of child welfare practice. We have been concerned, as have State child welfare staff, about the limitations of our current review system to provide information on important permanency planning issues. In the States' urgency to pass the reviews, the focus of section 427 has frequently become technical compliance with certain key terms and phrases, rather than on the protection of children as Congress intended." (page 5)

Child welfare professionals and States also complain that the compliance standards sometimes seem to change from review-to-review, and are not especially clear. In addition, personnel in several States have expressed the criticism that the review process does not always focus on the most appropriate measures of their delivery practices, checking for compliance on quantitative measures often somewhat beyond their control (such as whether a judicial hearing was held within the precise time limits required by law), rather than on qualitative measures (such as the quality and appropriateness of services the State routinely delivers).

The APWA contends that many of the States' criticisms found in their 1982 report on section 427 reviews still hold true today. The 1982 report polled the 34 States that were reviewed in 1981, finding that States felt they were held to Federal standards applied retroactively at times, and that poor coordination frequently existed between Federal staff in Washington, D.C. and the regional offices. In addition, the States reported that they were frequently given unclear or conflicting advice when they requested clarification on Federal compliance standards. The report also concluded that these standards seemed to be applied inconsistently from region-to-region.

There is some evidence of regional variation on compliance. Table 4 shows the section 427 review failures by region. Regions I and III seem to have especially high failure rates in comparison to others. Moreover, many of the States that have failed the most frequently in these two regions are not considered to have the largest, or the most difficult caseloads (i.e. Connecticut, New Hampshire, Rhode Island, Vermont, Maryland, Virginia, and West Virginia). The District of Columbia is possibly one exception to this rule.

Table 4.—427 REVIEW FAILURES ACCORDING TO REGION FY 1981 to 1989

Region	Number of States failing	Proportion of States failing (percent)	Total regional number of failures ¹
I	4 (CT, NH, RI, VT)	67	7
II	1 (PR)	33	1
III	4 (DC, MD, VA, WV)	67	8
IV	1 (FL)	13	1
V	2 (IL, OH)	33	5
VI	2 (AR, LA)	40	2
VII	0	0	0
VIII	1 (WY)	17	2
IX	0	0	0
X	1 (AK)	25	1

¹ States can fail more than one time.

Source: Based on information supplied by HHS.

The 427 review process has also been criticized as not strict enough. An August, 1989 General Accounting Office report entitled "Foster Care, Incomplete Implementation of Reforms and Unknown Effectiveness," asserted that the requirements of the 1980 legislation have never been completely implemented. The report largely attributed this to two reasons: first, that the reviews focused only on whether or not certain child protections were in place, and not how well they were carried out, and second, (as discussed earlier) that compliance did not require adherence to all of the 18 protections specified in law. The report questioned the legality of this latter finding: "... we do not believe the Secretary of HHS has discretion to allow a state to provide fewer than all 18 protections to the caseload." (page 30)

Because of criticism of the review process, Congress has acted to restrict HHS from disallowing Federal funds because a State failed a 427 review of their caseload practices. The Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239) prohibits the Secretary of HHS, prior to October 1, 1990, from collecting any funds from States as a result of a disallowance made in connection with a triennial review for any fiscal year preceding 1991.

The Department's authority was also restricted by the FY 1990 Appropriation Act for the Departments of Labor, HHS, and Education. During FY 1990, HHS cannot collect any funds from the States pursuant to title IV-B sections 427 or 471 (the latter specifies the requirements of State foster care plans) as a result of a disallowance made in connection with any compliance review until all judicial proceedings, including appeals, have been concluded. Furthermore, HHS is prohibited from conducting any further compliance reviews of any State's caseload that is a party to a judicial proceeding, until such a proceeding is concluded.

Current Status of the Review Process

Although the Department is temporarily limited in its ability to issue fiscal disallowances, HHS continues to review caseload practices of States eligible for section 427 reviews. However, in response to the problems associated with the review process, within the last year HHS has appointed a task force to provide recommendations on regulatory changes needed to define more fully State compliance with the 1980 legislation and restructure the review process. The task force has met with public interest and advocacy groups, and Congressional staff. Each member of the task force has also acted as a Federal reviewer in a 427 review to gain first-hand knowledge of the process. Based on the recommendations of the task force, a Notice of Proposed Rulemaking (NPRM) is currently being developed. Departmental officials have testified before Congress that they hope to publish the NPRM by the end of the year.

It appears that the task force has recommended that the review process become more strict in a number of areas. According to the testimony of Dr. Wade Horn, the Associate Commissioner for ACYF (who is overseeing the task force), before an April 4, 1990 hearing of the House Ways and Means Subcommittee on Human Resources, the task force is considering requiring more of the agency and caseworker in the development and content of the case plan. Furthermore, it is the Department's aim to raise the expectations of the case review process and require more documentation from dispositional hearings. The task force also worked on "rephrasing the other protections to make them meaningful to the agency and require the active involvement of the family so that compliance will become part of good practice, rather than a paper check-off."

In addition, the Department is developing a program review procedure that it plans to field test in two States during 1990. The program reviews, which are expected to be similar to those used before 1980, are to complement the re-worked section 427 reviews by providing HHS personnel with first-hand knowledge of the States' child welfare systems. In turn, these two States will be provided technical assistance by the Department. According to HHS, these reviews will provide a more thorough assessment of the States' child welfare systems, based on performance standards and indicators that are generally accepted standards of good practice in the field. The program reviews will take a different approach from the current 427 review process, which focuses on the review of individual case records. Instead, the program reviews will evaluate the performance, system management, and administration of a State's Child Protective Services (CPS), child welfare system, and foster care and adoption services, as well as the treatment of special needs children. The Department will not issue any direct fiscal penalties as a result of these review findings.

Options for Alternative Approaches to the Review Process

Taken together, the actions of HHS and Congress seem to represent general agreement that the current review procedures need comprehensive examination and possible revision. The fact that Congress has twice acted to suspend penalties levied against States

that have been found out of compliance is evidence of the inherent difficulty of enforcing Federally-imposed sanctions in circumstances in which the Federal standards are not broadly supported.

Apart from simply not reviewing State practices, there are three basic review options. At one extreme the review process could be tightened, and compliance requirements could become more prescriptive (as it appears the Department may propose). At the opposite extreme the review process could stress technical assistance rather than compliance. Instituting the latter would require statutory changes. An intermediate approach could utilize a combination of both approaches.

Several observations seem to argue in favor of an approach that includes technical assistance. First, according to media reports and testimony frequently offered in Congressional hearings, there is widespread agreement that many State child welfare and foster care systems are facing nearly overwhelming growth in foster care caseloads that are composed of families and children who present increasingly complex problems. In many States service delivery seems to be stretched to its limits. Second, many of these problems represent unknown quantities as to their effect, severity, and long-term consequences. Third, knowledge concerning the best methods of prevention and treatment of these problems in the child welfare area is limited; there is disagreement on the most successful, and cost-efficient family interventions. It is likely that States would find it extremely useful if the Federal Government would conduct or sponsor additional research, and undertake a program of systematic dissemination of research findings.

Regardless of the approach adopted, fiscal penalties should be applied with the goal of ensuring that States will respond by fully carrying out Federal requirements. Consequently, regulations need to spell out clearly the standards which States must meet in order to avoid financial sanctions.

It is questionable whether HHS currently has the necessary staff to fulfill a leading technical assistance role in addition to its compliance responsibilities. In 1980, the last year in which program reviews were conducted, the combined staff of the Children's Bureau, the National Center on Child Abuse and Neglect, and regional staff responsible for conducting the reviews, totaled approximately 75 people. During the 1980s these offices underwent substantial reductions in staff size. According to the Department, currently a combined HHS staff of Federal and regional employees of approximately 36 people is responsible for conducting section 427 reviews.

According to the Department, the average current section 427 review requires four Federal reviewers and three State reviewers for four or five days. This does not include the preparatory work for the review, or follow-up activities such as report drafting. Presumably the average time per review will rise if the reviews become more stringent. The Department estimates that it currently has enough personnel to conduct the more stringent 427 reviews in all States over a period of two years. However, this would apparently leave no staff to conduct an adequate system of program reviews to complement the 427 reviews.

PART VI. FOSTER CARE AND ADOPTION DATA AND INFORMATION COLLECTION SYSTEM

Background

LACK OF ADEQUATE DATA

Historically, there has been a serious lack of quality, reliable data in the area of foster care and adoption. In fact, all 50 States did not even report their average monthly foster care caseload under the Federally-assisted foster care maintenance program until 1975. States have never been required to collect statistics for non-Federally-assisted foster care. A voluntary State reporting system in which not all States have chosen to participate fully exists for children provided foster care services under title IV-B child welfare services. The continued existence of this "information vacuum" severely complicates efforts to understand and define problems in the area of child welfare, and to fashion appropriate programmatic or legislative changes in response.

The Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272) was passed to address a number of concerns with the foster care and adoption services available in the States at that time. One of these was the lack of data on the number of children receiving services, including the length of time these children remained in care, the specific services provided, the cost of these services, and the demographic characteristics of the recipient population. The 1980 legislation changed the Social Security Act funding mechanisms for both the title IV-B child welfare services program and the title IV-A foster care program (the latter program was transferred to the newly created title IV-E).

1980 INTERIM FINAL RULE

Shortly after P.L. 96-272 was enacted in 1980, HHS wrote a set of detailed regulations to guide State qualification for title IV-B incentive funds (each State's allotted share of appropriated funds in excess of \$141 million). These regulations were published in the *Federal Register* on December 31, 1980 as an interim final rule. The regulations specified a number of State compliance requirements. These included a one-time inventory of the children in foster care to be conducted by each State, and the implementation of State-wide information systems to provide case-specific data on the children in foster care. Common data definitions were to be specified for use in all States.

Each State was required to establish a permanent Statewide information system for case tracking and policy formation purposes. It was specified that each system be able to readily determine at any point in time the location of all children who had been in care during the preceding twelve months, and provide both individualized case data and aggregated information conforming to uniform

definitions developed by the Secretary of HHS. The data were to be transmitted within a time frame and in a format also specified by the Department. Each data record was to contain the following information:

- a unique identifier;
- child and family information (name, ID number, address, demographic information, and special needs status);
- date case opened or reopened;
- legal/custody status;
- eligibility status (IV-A, IV-B, IV-E, SSI);
- living arrangement;
- updated voluntary and involuntary placement history including reasons for removal, type of placement (relatives, foster parents, other), and—if applicable—adoption subsidy status, and date freed for adoption;
- case plan goals and time table;
- frequency of parental contact with the child and agency over the previous six months;
- services provided to the family and child and their source (public/private agency, direct or purchased);
- dates when reviews and dispositional hearing are due and held;
- date of revocation of voluntary placement, if applicable;
- date and reason for client discharge or case closure;
- identifier for local agency, caseworker, and supervisor.

1981 HHS REVISIONS TO FEDERAL REGULATIONS

However, this set of regulations never went into effect. On March 3, 1981, HHS withdrew the interim final rule, stating that the Office of Management and Budget (OMB) had not reviewed and approved the sections containing reporting and recordkeeping requirements. The following year the Department issued ACYF-PIQ-82-06. Primarily this Policy Information Question simply restated the pertinent sections of title IV-B, which required States to have an information system. It did not specify the system's content. The 1980 regulations were never re-issued.

PROBLEMS WITH THE CURRENT VOLUNTARY REPORTING SYSTEM

Currently, the only nationally aggregate data on the number and characteristics of children in foster care is voluntarily supplied by the States. Since 1982, the Voluntary Cooperative Information System (VCIS) has been administered by the American Public Welfare Association (APWA) under a grant from HHS. The data are in an annualized format. The VCIS data-gathering instrument requests that each State supply information on its foster care caseload, including the number in care at the beginning of the year, the number in care at the end, and the total number of children served during the year. Each State's caseload is also broken down by the following sets of data:

- demographic information (including age of children, minority, disability, and special needs status, and gender);

- reason for entry into care (including Child Protective Services (CPS) referral, voluntary placement, juvenile status offense, and child disability);
- case status (including the length of time in care, the percent that are IV-E eligible, awaiting adoption, and that have had parental rights terminated);
- current living arrangement (including foster family home, adoptive home, group home, and relative care);
- placement outcome (including reunification, adoption, and emancipation).

However, when these data are observed in their raw form as submitted by States, it is evident that the VCIS numbers should only be viewed as rough estimates of the caseload. In many States entire sets of data are missing each year, or individual elements are missing from year-to-year, making aggregated yearly comparisons of these variables impossible. Moreover, reporting periods differ from State-to-State. For instance, some States adhere to the calendar year and others the fiscal year. In sum, no common definitions or census methodologies are utilized nationwide. In addition, since 1985 a serious time lag has developed between the time the data are gathered and published. The most recent, detailed VCIS data that are currently available date back to 1986.

Finally, the data currently collected are of limited use. Primarily, this stems from the fact that they are only available in an aggregated State-specific format. Because case-specific information is not available, common configurations of service utilization by specific segments of the foster care population cannot be obtained, and it is impossible to track a case through the system in a longitudinal manner. The absence of these two analytical functions makes it difficult to evaluate the effectiveness of specific policy strategies. For instance, from the data available it cannot be determined whether particular reunification strategies for abused or abandoned infants do, or do not, lead to higher substitute care re-entry rates over the course of their lifetime, or whether in the long run family preservation programs actually reduce the need for foster care placement. Although the VCIS has gathered States' estimates of the proportion of their caseload re-entering foster care, this statistic does not accurately address the service strategy and programmatic issues raised above.

Several States have instituted useful Statewide data collection information systems principally for their own policy purposes. Some results of their analyses are presented in Parts I and II of this document.

ENACTMENT OF 1986 FINANCE COMMITTEE REPORTING REQUIREMENTS

In recognition of these problems, in 1986 the Committee on Finance approved an amendment (included in P.L. 99-509, the Omnibus Budget Reconciliation Act) to title IV-E (section 479), requiring that an advisory committee be formed to submit a report to Congress and the Secretary of HHS making recommendations with respect to methods of establishing, administering, and financing a system for the collection of data on adoption and foster care in the

United States. Specifically the advisory committee was charged with:

- identifying the types of data necessary to assess on an ongoing basis the incidence, characteristics, and status of the system of adoption and foster care nationwide, and developing appropriate national policies in this area;
- evaluating the feasibility and appropriateness of collecting data with respect to privately arranged adoptions that did not have assistance from public welfare agencies; and
- assessing the validity of various methods of collecting adoption and foster care data, and determining the financial and administrative impact of implementing each option.

Section 479 also stipulated that the advisory committee members appointed by the Secretary of HHS were to include representatives from private, nonprofit child welfare organizations (including organizations that provide direct services); organizations representing State and local governmental agencies providing foster care and adoption services; and organizations representing State and local governmental agencies collecting health and social statistics.

Any data collection system implemented by the Department under section 479 of title IV-E is to:

- avoid unnecessary diversion of resources from agencies responsible for foster care and adoption;
- assure that the data collected are reliable and consistent over time and among jurisdictions through the utilization of uniform definitions and data collection methodologies;
- provide comprehensive national information on:
 - the demographic characteristics of foster and adoptive children and their biological, foster, and adoptive parents;
 - the status of children in foster care (including their number, length of stay, type of placement, placement goals, and availability for adoption)
 - the status of children removed from substitute care;
 - the number and characteristics of children adopted, and those who have experienced an adoption termination;
 - the extent and nature of assistance provided by Federal, State, and local foster care and adoption programs, and the types of children served;
- utilize appropriate requirements and incentives to ensure that the system functions reliably throughout the country.

The legislation specified that the Secretary of HHS must issue final regulations for the system by December 31, 1988, and that mandatory data collection must be fully implemented no later than October 1, 1991. The Department has missed the deadline for issuing regulations.

DATA ADVISORY COMMITTEE RECOMMENDATIONS AND HHS RESPONSE

The final report issued by the advisory committee in 1987 included detailed recommendations for a new mandatory foster care and adoption data collection system. The report proposed that data on all foster children under the purview of section 427 (defines the content of case record reviews) of title IV-B be collected, including

children who exited care before their case record was reviewed. This would include children placed under the auspices of public child welfare agencies, those placed by private agencies contracting with public agencies, as well as children placed by private agencies in licensed, private facilities. The advisory committee also recommended that data be collected on all legally adopted children, including relative and non-relative placements, under the auspices of both public and private agencies. It was recommended that children served by related service systems (such as those providing mental health, juvenile justice, and developmental disability services), and children in unlicensed foster care settings not be included in the data collection system.

It was proposed that the foundation of the data collection system rest on individual case data on each child, including demographic information (such as gender, age, ethnicity, number of siblings etc.); information on the child's biological, foster, and adoptive parents; current placement information as well as previous stays in substitute care (including type of placement, placement goal, service delivery, duration of care, and funding sources); and information on the placement outcome of children leaving substitute care. States would submit data quarterly to ACYF, and the data would be kept confidential.

Under the advisory committee recommendations, ACYF would be required to generate annual reports on the data to coincide with the Federal fiscal year. The information identified by the advisory committee was selected because it parallels that which is useful to States administering foster care and adoption services on a day-to-day basis. This information, supplemented with reports compiled from data at a national level, would be collected for direct policy application by States, localities, and the Federal government.

The advisory committee also recommended that the Federal government cover all expenses associated with system start-up and development in each State through September 30, 1991, including costs for computer hardware and software acquisition, staff training, and the development of new reporting forms under the advisory committee's recommendations, beginning in FY 1989. Federal technical assistance to States should also be available in these areas. The committee recommended that ongoing operational costs of the system be reimbursed at 50 percent Federal matching of State fund expenditures. If necessary, penalties would be levied against States that did not comply with the reporting requirements by the system implementation target date. It was recommended that a separate office in ACYF be created to plan and implement the data collection system.

In May of 1989, HHS responded to the advisory committee report by issuing a report to Congress on its plan for implementation of the system. The system proposed by the Secretary of HHS differed from the advisory committee recommendations in two primary areas: the population to be included in the data collection system, and the method by which system start-up would be financed. The Department proposed that the target population only encompass children served directly under the responsibility of a State child welfare agency, including all children placed by private agencies under contract with a public agency, but excluding children placed

privately by private licensed facilities. Similarly, the adoption population to be included would be limited to adoptions that involve a State agency, and would exclude children placed by private agencies. Data on private adoptions would be reported voluntarily by States. The HHS report also proposed that States bear much of the costs associated with system start-up by utilizing existing title IV-B funds, and claiming costs to the extent allowed as title IV-E administrative and training expenditures.

1989 FINANCE COMMITTEE AMENDMENT

In 1989, the Committee on Finance approved an amendment, which it included in its part of the Omnibus Budget Reconciliation Act (S. 1750), that directed the Secretary to collect—and provide Federal matching for—the data recommended by the advisory committee. The amendment specified that data on all publicly-placed foster children under the purview of section 427 be collected (including those placed by a private agency under contract to a public agency), and that data on all legalized adoptions be collected (including relative and non-relative adoptions as well as adoptions under private and public auspices).

The Secretary was directed to provide technical assistance to the States. States could claim Federal matching for the full costs associated with the system as administrative costs under title IV-E, or as part of their child welfare services under title IV-B (see table 1 in Part I, p. 7 for Federal reimbursement rates).

The amendment also extended the deadlines associated with the system, specifying that the data collection system be fully operational no later than October 1, 1992. Implementing regulations were to be proposed by December 1, 1989, and final regulations were to be issued no later than May 1, 1990.

This amendment was dropped from the bill when the Senate stripped those provisions that did not improve the Federal deficit. The Department has still not issued proposed or final regulations. At this time, reportedly the regulations have been developed by HHS, and are at OMB awaiting final approval.

Primary Data Collection Issues

COST

One of the primary issues that will be raised by the publication of the proposed set of regulations implementing the system is how much of the cost of system start-up will be borne by the States.

Moreover, based on each State's current data collection capabilities, the cost of different aspects of system set-up would vary from State-to-State. Table 1, which shows these projected costs, is based on data from an APWA survey of States published in August, 1988. The survey revealed that approximately one-half of all States reported separate computer and staffing costs under \$500,000 each; however, a significant proportion of States reported that one of these expenses would cost them over \$1,000,000. Two States (New York and Texas) reported a combined total exceeding \$2,000,000.

Table 1.—RANGE OF COSTS PROJECTED BY STATES TO DEVELOP AND IMPLEMENT THE ADOPTION AND FOSTER CARE INFORMATION COLLECTION SYSTEM

[Number of States; dollar amounts in thousands]

	\$0	\$0-250	\$250- \$500	\$500- \$1,000	\$1,000 +	No response
Computer Costs	3	14	8	6	9	11
Staff Costs	8	20	5	4	5	8

Source: Based on information contained in the American Public Welfare Association (APWA) "Report on the Adoption and Foster Care Data Collection Survey," August, 1988.

Under the HHS proposal, Federal reimbursement of each State's expenses would vary from State-to-State. Although 50 percent of administrative costs claimed by a State under title IV-E are reimbursable, States' ability to draw their allotment of title IV-E funds corresponds to the percentage of children in their foster care caseload that are title IV-E-eligible. Because on average, only approximately 40 percent of a State's caseload is title IV-E-eligible, the average State would only receive 20 percent Federal reimbursement for implementation of the reporting system. States will be required to report information on all children in substitute care, regardless of their eligibility status under title IV-E.

NECESSARY IMPLEMENTATION LEAD TIME

Because the administration has not met the deadlines for issuing regulations to guide system implementation, States have expressed concern about the amount of lead time they will be allowed in order to meet the extended October 1, 1992 implementation deadline which was proposed last year. According to the same APWA survey referred to earlier, only a few States could develop such a system with a single year of lead time. For many States, especially those with county-administered foster care and adoption programs, implementation of the system will be a complex undertaking.

DATA TO BE COLLECTED

There are also a number of issues associated with the type of data that will be collected. First, the system outlined by the Department in the 1989 report to Congress proposes to collect limited information on service utilization. Although the reason for substitute care placement (physical abuse, neglect, parental substance abuse etc.) and the placement goals (reunification, adoption, long-term foster care etc.) will be collected for each case, the specific types of service configurations received by these children and their families are not required. The absence of this service linkage makes it difficult to analyze the effectiveness with which certain programmatic and legislative strategies serve specific segments of the foster care population. While it may be too costly to collect this data on all children in foster care, it would seem that States should have the capacity to collect this data at least for specialized studies.

A second and related issue is that according to the 1989 report to Congress, the Department is not proposing to collect data on children served in their own homes under the responsibility of a State agency. However, during the past decade many States have instituted policies whereby only children in serious physical danger are removed from their home. The remainder are provided services in their home under the rubric of family preservation strategies. Therefore, the proposed data collection system will not include many—if not most—children served by child welfare programs in States with this policy, making it potentially difficult to evaluate the effectiveness of current family preservation strategies.

Third, the Department is not proposing to collect longitudinal, case-specific data. Rather than having one personal identifier over time, as each case enters the system a new personal identifier will be assigned, and only the number of previous removals from home will be noted. Therefore, it will not be possible to discern the total time that a child spends in foster care. If data were both case-specific and longitudinal, new insights into the strategies most effective for permanency planning would be yielded.

When resolving these issues, the concern that the data collection system not be overly costly or burdensome to States must be balanced against the need for a data collection system that will yield information necessary for public policy formulation at a local, State, and Federal level. One of the primary methods for minimizing the State reporting burden is to invest a fair amount of time in developing a quality data collection system that will not change over time. In this way State information reporting can eventually become routinized.

ROLE OF ACYF

A final issue is whether or not ACYF is currently equipped to fulfill the lead role in data compilation and analysis. In order to reduce the burden on States, HHS has proposed that State reporting to the Department consist of little more than a quarterly "data dump" in a standardized format. Given that the Department is not currently able to supply VCIS data in a timely fashion to Congress, and given the added complexities of the proposed mandatory system (more frequent data reporting periods and more detailed data), it would appear that ACYF does not currently have the necessary staff to fulfill a lead role in this area. The new system will require that ACYF assume responsibility for monitoring State compliance with increased reporting requirements, provide ongoing technical assistance to States, process the incoming data, and conduct relevant statistical analysis. In order to accomplish this, Departmental expenditures on foster care and adoption data will have to increase. The Department now spends only \$50,000 per year for VCIS data compilation and reporting.

ACYF will likely need to increase its staffing levels to accommodate the new system. According to HHS, currently the Department is in the process of restructuring the 1990 budget to include more staff for ACYF. However, the Department reports that staffing target levels for 1991 and 1992 remain unclear.

PART VII. TITLE IV-E PLACEMENT, ADMINISTRATIVE, AND TRAINING COSTS

Background: Expenditure Growth

In 1961, Federal assistance to enable States to make maintenance payments for foster children became available under what was then called the Aid to Dependent Children (ADC) program (title IV-A of the Social Security Act). The Adoption Assistance and Child Welfare Act of 1980, P.L. 96-272, changed the Social Security Act funding mechanisms for both the title IV-B child welfare services and the title IV-A foster care program (the latter program was transferred to the newly created title IV-E).

Because title IV-E foster care originated as part of AFDC, historically—as in AFDC—it has had different matching rates for maintenance payments and for program administration. P.L. 96-272 authorized title IV-E foster care assistance payments as an open-ended Federal entitlement, reimbursed at the Medicaid match rate for each State (50 to 83 percent, based on State per capita income). Similarly, child placement, administrative costs, and training expenses are also open-ended Federal entitlements, and are reimbursed at a Federal matching rate of 50 percent. Training costs for State personnel and for the short-term training of foster and adoptive parents are reimbursed at a Federal matching rate of 75 percent (see table 1 in Part I, p. 7).

In recent years an increasing proportion of title IV-E costs have been expended on what are technically called administration and training. Table 1 shows that if current trends continue, at some point in the 1990s the amount expended on these “administrative costs” are estimated to be equal to the Federal reimbursement of States’ title IV-E maintenance claims. HHS projects that this will take place within the next fiscal year (FY 1991). The Congressional Budget Office (CBO) projects that this will take place approximately four years later, in FY 1995.

Table 1.—PROPORTION OF TITLE IV-E FOSTER CARE EXPENDITURES SPENT ON CHILD PLACEMENT, ADMINISTRATION AND TRAINING, FY 1981-1995

Fiscal year	Total Federal title IV-E expenditure (in millions)	Placement, administration and training expenditures (in millions)	Placement, administration and training proportion of total
1981.....	\$308.8	\$30.4	.10
1982.....	373.8	72.5	.19
1983.....	394.8	117.9	.30

Table 1.—PROPORTION OF TITLE IV-E FOSTER CARE EXPENDITURES SPENT ON CHILD PLACEMENT, ADMINISTRATION AND TRAINING, FY 1981-1995—Continued

Fiscal year	Total Federal title IV-E expenditure (in millions)	Placement, administration and training expenditures (in millions)	Placement, administration and training proportion of total
1984.....	445.2	147.4	.33
1985.....	546.2	190.9	.35
1986.....	637.2	228.3	.36
1987.....	752.8	288.1	.38
1988.....	891.4	352.5	.40
HHS estimate:			
1989.....	1,147.1	504.2	.44
1990.....	1,476.2	704.7	.48
1991.....	1,876.6	949.2	.51
CBO estimate:			
1992.....	2,154.0	1,022.0	.47
1993.....	2,517.0	1,216.0	.48
1994.....	2,927.0	1,442.0	.49
1995.....	3,391.0	1,702.0	.50

Sources: Based on data from HHS and CBO.

In FY 1981, on average 104,851 children were served each month by State programs funded under title IV-E at a Federal cost of \$308.8 million, and by FY 1990 these numbers had risen to 176,885 and \$1.5 billion respectively. The most recent estimates from the Congressional Budget Office (CBO) project that the 1991 average monthly title IV-E caseload will be 199,000 at a Federal cost of \$1.8 billion, rising to an estimated 267,000 and \$3.4 billion respectively by 1995.

The Department has argued that programs funded under title IV-E are becoming more expensive for the Federal Government because a growing number of States are transferring costs they had traditionally paid for themselves to the Federal Government as administrative expenses. During an April 1987 hearing of the House Select Committee of Children, Youth, and Families, Sydney Olsen, the Assistant Secretary for Human Development Services (HDS) testified "it appears that States are finding ways to refinance existing services through these entitlements and that the growth in administrative cost does not reflect increases in services or improved management." Assistant Secretary Olsen also expressed concern that the open-ended entitlement of title IV-E was being exploited by States which were hiring consultants to help them "capture" more available Federal funds. As evidence, the Department pointed to the high variability of title IV-E administrative and cost claims among States.

As is shown in table 2, in relation to each State's total expenditures, the proportion of title IV-E child placement and administrative costs varies widely. The nationwide average was 38 percent.

Maryland (68 percent), Arizona (60 percent), and South Dakota (59 percent) claimed the highest proportion of their title IV-E spending for child placement and administration. Alaska (1 percent), Tennessee (2 percent), and Mississippi (2 percent) had the lowest such proportions.

Table 2.—FEDERAL FOSTER CARE EXPENDITURES UNDER TITLE IV-E, FISCAL YEAR 1988

[Dollars in millions]

State	Maintenance payments	Placement/ Administration	Training	Total	Placement/ Administration as percent of total
Alabama	\$1.64	\$0.16	\$0.00	\$1.80	8.89
Alaska	.78	.01	.00	.79	1.27
Arizona	1.50	2.29	.10	3.79	60.42
Arkansas	.62	.44	.03	1.06	41.51
California	114.88	74.48	.99	189.36	39.33
Colorado	3.16	1.29	.11	4.45	28.99
Connecticut	4.98	1.75	.03	6.73	26.00
Delaware	.53	.54	.01	1.07	50.47
District of Columbia	2.74	2.20	.05	4.94	44.53
Florida	6.14	3.73	.08	9.87	37.79
Georgia	5.88	5.41	.09	11.29	47.92
Hawaii	.07	.02	.00	.09	22.22
Idaho	.32	.04	.00	.36	11.11
Illinois	18.12	8.83	.00	26.95	32.76
Indiana	1.50	.28	.00	1.78	15.73
Iowa	2.27	2.21	.13	4.48	49.33
Kansas	3.64	.95	.01	4.59	20.70
Kentucky	6.35	1.41	.05	7.76	18.17
Louisiana	7.59	7.99	.07	15.58	51.28
Maine	3.29	1.98	.13	5.27	37.57
Maryland	5.40	11.56	1.09	16.96	68.16
Massachusetts	7.08	4.14	.01	11.22	36.90
Michigan	43.74	20.69	.11	64.43	32.11
Minnesota	7.76	8.04	.44	15.80	50.89
Mississippi	.92	.02	.00	.94	2.13
Missouri	6.89	7.76	.37	14.65	52.97
Montana	1.83	.29	.04	2.12	13.68
Nebraska	2.53	2.22	.04	4.75	46.74
Nevada	.68	.38	.00	1.06	35.85
New Hampshire	2.36	1.07	.00	3.43	31.20

Table 2.—FEDERAL FOSTER CARE EXPENDITURES UNDER TITLE IV-E, FISCAL YEAR 1988—
Continued

[Dollars in millions]

State	Maintenance payments	Placement/ Administration	Training	Total	Placement/ Administration as percent of total
New Jersey.....	7.16	7.39	.50	14.55	50.79
New Mexico.....	2.23	1.68	.02	3.91	42.97
New York.....	156.17	72.09	13.48	228.26	31.58
North Carolina....	2.18	.21	.00	2.39	8.79
North Dakota.....	1.08	.25	.03	1.33	18.80
Ohio.....	14.09	16.95	1.63	31.04	54.61
Oklahoma.....	2.86	1.93	.01	4.79	40.29
Oregon.....	5.92	7.23	.00	13.15	54.98
Pennsylvania.....	40.00	7.50	.15	47.50	15.79
Rhode Island.....	2.41	3.10	.09	5.51	56.26
South Carolina....	1.99	2.27	.20	4.26	53.29
South Dakota.....	.68	.97	.20	1.65	58.79
Tennessee.....	2.55	.05	.00	2.60	1.92
Texas.....	8.92	21.62	.66	30.54	70.79
Utah.....	1.22	.39	.08	1.61	24.22
Vermont.....	1.89	1.90	.03	3.79	50.13
Virginia.....	3.34	1.00	.01	4.34	23.04
Washington.....	3.26	3.69	.17	6.95	53.09
West Virginia.....	5.82	1.86	.33	7.68	24.22
Wisconsin.....	9.59	6.30	.00	15.89	39.65
Wyoming.....	.33	.38	.03	.71	53.52
Total.....	538.880	330.940	21.600	869.820	38.05

Source: Department of Health and Human Services, Office of HDS, ACYF.

The Department continues to question whether the growth in title IV-E expenditures is linked to any improvements in service delivery. In his written testimony for a hearing of the Human Resources Subcommittee of the House Ways and Means Committee in April 1990, Dr. Wade Horn, the Commissioner of ACYF, testified:

"Consider that between FY 1981 and FY 1991, State claims for administrative costs will have grown over 2,800 percent, from \$30 million to \$882 million for FY 1991 . . . This increase in State administrative costs has out-paced growth in both the number of children served over the period (99 percent increase) and the level of maintenance payments financing foster care children (233 percent in-

crease). The escalation in Federal reimbursement for administrative costs has not been correlated with improvements in the quality or quantity of services to children." (page 3)

1987 AND 1990 HHS INSPECTOR GENERAL REPORTS

In October of 1987, the HHS Office of Inspector General published a report on the high absolute levels of title IV-E administrative and training costs and the wide variation of claims among States. The report found that the administrative costs associated with the foster care program are much higher than those associated with similar programs such as AFDC, and the Medicaid and Food Stamp programs. However, this was attributed to the fact that regulations implementing P.L. 96-272 expressly defined many activities as allowable administrative costs that were not reimbursed by the Federal Government when foster care was part of AFDC. By regulation, claimable title IV-E administrative costs include:

- referral to services at time of intake;
- preparation for, and participation in, judicial determinations;
- placement in foster care;
- development of a case plan;
- case reviews;
- case management and supervision;
- recruitment and licensing of foster homes and institutions;
- and
- foster care rate setting.

The 1987 report also found that much of the variation of States' administrative cost claims was linked to the degree of sophistication of each State's accounting practices. Not all States had sophisticated systems capable of documenting all allowable costs. Some other States chose to deliberately underclaim these expenses so that they could transfer unutilized funds to title IV-B child welfare services (explained in Part I of this document). The report concluded that some of the measures by which HHS documented the rapidly rising administrative costs associated with title IV-E were inappropriate:

"... some measures of relative State performance such as administrative cost per child and the ratio of administrative to maintenance costs better reflect *charges* to the Federal Government rather than the *costs* of running the program. Similarly, the use of percentage change in administrative cost to measure relative growth over time is complicated. Many States had an artificially low base in the early years [shortly after P.L. 96-272 was enacted] due both to their inability to claim all appropriate costs and the absence of required program components" (page ii).

The 1987 report also stated that in seven separate studies HDS had failed to document that States were systematically transferring ineligible title IV-E administrative costs to the Federal government. The report concluded that although HDS did uncover some random accounting errors "there was no evidence found to

demonstrate patterns of abuse." In fact, OIG did an audit of the State of Missouri, in which claimed administrative costs had risen "precipitously" and found no serious State violations of Federal guidelines or regulations. The report also noted that HDS had presented no information to document how the consultant accounting and cost claim recommendations to States violated the regulations.

In addition, the report noted that the decision by the HHS Departmental Appeals Board (DAB) concerning the State of Missouri's title IV-E allowable administrative cost claims, which was issued shortly before the report's publication, would further expand the allowable expenses that could be charged as administration and training. It has been generally accepted that this has been the case, further strengthening the claim that administrative expenses include more than program "overhead."

The Inspector General's office recently issued another report dated August 1990. The report presents the following specific findings, which generally tend to be consistent with the findings made in the 1987 report.

- (1) The term "administrative costs" is a misnomer. Most of the activities being funded are not traditional administrative costs, but are "important child placement services". According to the IG report, administrative costs grew from \$143 million in fiscal year 1985 to \$400 million in fiscal year 1988. However, only 20 percent of the cost increase is attributable to administration of the program. Nearly 80 percent relates to direct service activities that the IG classified as "child placement services".

- (2) The current procedure used to account for costs does not allow for examining any correlation between increased administrative costs and increased services to foster children.

- (3) Cost increases occurred for two primary reasons: the expanded definition of allowable administrative activities provided in P.L. 96-272, and a broad interpretation of that definition by the Departmental Appeals Board. Other factors contributing to the increases were the States' use of consultants, a 19 percent increase in the number of title IV-E children, increases in the number of case workers, and cost-of-living increases for State employees.

- (4) Variations in costs among States resulted from using non-homogeneous cost indicators, a lack of uniformity in defining and allocating allowable costs, a gradual trend by States to use consultants for identifying opportunities to maximize Federal funding sources, and States' revision of cost allocation plans to capture costs for children who are "candidates" for IV-E foster care (but who may not ultimately receive foster care maintenance payments).

The report concludes that legislative and administrative measures are necessary for containing escalating administrative costs, and outlines various options.

THE MISSOURI CASE

The Missouri case originated in 1985, when HHS disallowed an amendment by the State to their Cost Allocation Plan (CAP). The CAP amendment claimed reimbursement for the administrative costs associated with all foster care candidates for services typically

provided before a formal title IV-E eligibility determination is conducted. These include plan development, immediate referral to services, monitoring activities, and preparation for an initial hearing. The amended CAP also claimed Federal reimbursement for the title IV-E eligibility determination conducted for all children in foster care. HHS refused to match these activities with Federal title IV-E administrative funds.

An ACYF Policy Announcement published that year stated that Federal matching funds for such services could only be claimed for those cases that actually entered foster care, and were found to be title IV-E-eligible. The Missouri Department of Social Services appealed the decision of the HHS region VII director, and in March 1987 the HHS Departmental Appeals Board (DAB) overruled the disallowance, stating the activities claimed by the State of Missouri were "specifically identified without qualification under the regulations as reimbursable administrative costs." The DAB rejected the Department's reason for the disallowance, noting that the cost of several other activities not contested by the Department (such as the licensing of foster homes and rate setting) are required and specified in the title IV-E regulations as allowable claims despite the fact that they are not directly associated with an individual placement.

The DAB found that if States could only claim the cost of services for children who eventually entered care, Congressional intent to prevent foster care in as many cases as possible would not be upheld. Furthermore, the DAB ruling allowed States to submit title IV-E administrative claims for negative determinations of title IV-E eligibility noting that in the AFDC program all such determinations are reimbursed by the Federal government as administrative expenses. Partly as a result of the 1987 Missouri decision, allowable State claims under title IV-E administrative costs continued to expand.

Following the Missouri decision the Administration sought to limit the growth of child placement, administrative and training costs legislatively. In the FY 1991 President's budget the Administration proposes to limit the increase in title IV-E child placement and administrative claims to no more than a 10 percent increase per State per year based on the amount each State claimed in FY 1990. If the legislation were to be enacted in FY 1991, HHS estimates savings of \$121 million would result that year. By 1995, five years later, the Office of Management and Budget projects cumulative savings would total nearly \$2.4 billion. CBO projected much more modest savings, amounting to \$60 million in 1991, and five-year cumulative savings just over \$1.3 billion. The legislative proposal would not affect any of the other components of title IV-E, such as the Independent Living Program and foster care maintenance payments. The latter would remain an open-ended Federal entitlement, as would the training expenses associated with title IV-E.

The Administrative and Training Cost Claim and HHS Grant Award Process

According to HHS, child placement, administrative and training costs are claimed and reimbursed in the following manner. The Department reimburses each State in advance for the expenses that State personnel estimate they will incur in the approaching quarter. Then, within 30 days after the end of the quarter, each State submits to the HHS regional office its actual claims for that quarter, as well as additional claims incurred in any of the seven prior quarters (this is the same procedure followed under the AFDC and Medicaid programs, which also allow States the option of submitting prior year claims for this amount of time). Based on the review and recommendation of the regional office, HHS reconciles the amount previously paid a State with the amount of its actual claims for prior quarters. If the State was overpaid, the State can pay back the money owed the Department, or HHS will reduce subsequent grant awards by the appropriate amount.

However, in actuality most States are chronically underpaid for a variety of reasons. Although title IV-E is an open-ended entitlement (section 474 of the Social Security Act), unlike other such entitlement programs as AFDC and Medicaid, the appropriations statute does not specifically permit the Department to pay outstanding claims from current or prior year(s) out of future year appropriations. In addition, States claim that the Administration chronically underestimates the amount that it will need to cover its projected obligations. According to the American Public Welfare Association (APWA), every year since P.L. 96-272 was enacted, HHS has submitted annual budget requests for title IV-E that do not reflect the full amount States have projected they will need.

In the past often a significant amount of money has been owed States. According to a 1989 survey of States conducted by APWA, this amount peaked at \$800 million in undisputed, prior year claims in 1989 (however, this accumulated total included costs associated with title IV-E administration and training, as well as maintenance payments for the program). Although APWA believes that the Administration has begun to make more realistic estimates, requesting \$1 billion for title IV-E in FY 1991, APWA argues that the increase is not as substantial as it might seem. In her written testimony before a March 1990 Senate Finance Committee hearing, Janice M. Gruendel, Deputy Director of the Connecticut Department of Children and Youth Services, and a member of the National Council of State Human Service Administrators of APWA, stated that more than half (\$544 million) of this \$1 billion is currently owed States for prior year claims.

According to the Department, because HHS usually has insufficient funds to pay the full amount it owes, the amount that can be paid for that fiscal year is projected, and all States are reimbursed the same percentage of their outstanding allowable claims. The remainder that is owed States is included in the amount requested in a supplemental appropriations bill.

Further complicating the situation is the fact that in the past States have not been able to obtain timely information on the amount that had not been disallowed, and was owed to them by the

Department. In March 1989 the State of New York filed suit in U.S. District Court to require the Department to compute and release this information quarterly, and to collect and pay the full amount it owed. The court found in favor of New York.

Many of these title IV-E payment problems seem inherent to an entitlement payment system in which the Department must project the amount that will be claimed by States each year. The net effect has been that HHS has not known the amount it will need to cover its obligations and States have not been paid in a timely manner.

Issues Relating to the Measurement & Evaluation of Child Placement and Administrative Cost Expenditures

Virtually everyone involved in the debate concerning the appropriateness of title IV-E child placement, administrative and training expenditures acknowledges that the issue is clouded by a general lack of concrete information, and confusion over the manner in which State costs should be measured.

APPROPRIATENESS OF COST MEASURES

It is questionable whether it is appropriate to measure the amount of title IV-E child placement and administrative expenditures spent per child by relating the costs in each State to the total number of children reported to be in title IV-E foster care. First, States have different definitions for formal foster care (for instance, some States don't count children who remain in substitute care for less than two weeks). Second, children at imminent risk of removal may receive placement prevention services (some of which are matched under title IV-E administrative expenditures) and may never actually enter the title IV-E foster care system.

To the extent that not all children for whom child placement and administrative costs are claimed are in title IV-E foster care, any measure showing the title IV-E "administrative" cost per foster child would be overstated. The amount would also be inflated by the fact that the costs associated with a title IV-E eligibility determination may be claimed as title IV-E administrative expenditures even if the determination reveals that the child is not eligible for maintenance payments under title IV-E.

There is little information available about State claims under title IV-E "administration". Rocco D'Amico, a private consultant working with States developing improved title IV-E administrative cost claim systems, has conducted some limited analysis for APWA on 35 States for which he has provided consultative services. He reports that for every child in title IV-E foster care, on average two at-risk children are receiving placement prevention services funded under title IV-E as administrative cost claims.

ADMINISTRATIVE COSTS INCLUDE MORE THAN PROGRAM "OVERHEAD"

It is apparent that those costs that are generally referred to as "administrative costs" are misnamed. As a result of P.L. 96-272, the regulations implementing this legislation, and subsequent ACYF policy interpretations and HHS Departmental Appeals Board decisions, it is not required that title IV-E administrative cost claims be submitted by States solely for program "overhead."

They may also be submitted for certain types of service delivery related to foster care placement.

Under the 1980 amendments to the Social Security Act, costs for which Federal title IV-E administrative matching may be claimed include certain required prevention services and preparation for judicial hearings. Allowable State activities that may be claimed include case plan development, case management, immediate referral to services, and monitoring activities. States may also claim the costs associated with preparation for judicial hearings. This includes preparing status reports, notification of all parties involved, transportation to and from court, and costs associated with the court appearance of relevant social workers and child welfare professionals.

According to Mr. D'Amico, about 10 percent of Federal title IV-E administrative and training cost expenditures cover general administration ("true" program overhead). According to his analysis every dollar of Federal expenditures funds the following State activities:

• eligibility determination activities	.05
• training of State staff and care providers	.05
• court-related activities	.12
• case-management for one formally-placed foster care child	.39
• case management for two children at-risk of placement	.39
	= \$1.00

He estimates that 10 percent of each of these cost categories is spent on general administration.

CASELOAD TRENDS

As has been discussed in Part I of this document, both the number of children entering foster care, and the severity of their problems, continue to increase. These two factors would tend to drive up title IV-E placement and administrative expenditures, given the activities that States may claim as expenses under this cost category. The primary examples of allowable activities that would become more expensive include: referral to services at time of intake, case management and supervision, development of a case plan for each child in care, recruitment and licensing of foster homes and institutions, and training of State staff and care providers.

STATE INCENTIVE FOR COST CONTAINMENT

It seems open to question whether title IV-E placement and administrative expenditures will continue to grow at the same pace as in the past. In general, there is an incentive for States to control costs for placement and administrative expenses, because they themselves must put up 50 percent of the cost.

Since the child welfare reforms were enacted in 1980, more and more States, by means of developing new cost allocation strategies and otherwise, have developed the capacity to claim Federal matching for the full range of foster care program activities which

are allowed under the law. As the number of States still not claiming the full amount to which they are entitled diminishes, the rate of increase in Federal matching may also be expected to diminish.

In addition, the increase in State claims may be expected to decelerate at the time when the list of allowable activities for which States may make claims is no longer being expanded. However, this is not currently the case. In fact, as explained in an earlier section of this document, HHS has proposed that part of the start-up costs associated with the adoption and foster care data collection and information system be funded by States with title IV-E administrative and training expenditures.

Need for Additional Data

Recently, in an attempt to gather more detailed information on administrative cost expenditures, the Department has developed a revised fiscal form for States to report their cost claims. The new form requires that States report administrative costs under one-of-four categories: pre-placement activities; case planning and management; eligibility determinations; and an "other" category. In the past, HHS only required States to report these expenditures as administrative costs. The Department provided assistance to States with the new forms through mid-May 1990. At the time when this document was published, States have not yet reported under the new cost categories. The Department projects that States will be using the new forms consistently by the first quarter of 1991.

In order to provide more detailed information, States could be required to account for their title IV-E expenditures in even greater detail than is required on the new HHS form. This raises the issue, however, of how detailed such reporting can be without imposing an onerous reporting burden on States.

